THE DEAD HAND
OF BUREAUCRACY

BOOKS BY LAWRENCE SULLIVAN

All About Washington

Prelude To Panic: The Story of the Bank Holiday

THE DEAD HAND OF BUREAUCRACY

by

Lawrence Sullivan

"He has erected a multitude of new offices and sent hither swarms of officers to harass our people and eat out their substance."
—THE DECLARATION OF INDEPENDENCE

THE BOBBS-MERRILL COMPANY
PUBLISHERS
INDIANAPOLIS NEW YORK

PRINTED IN THE UNITED STATES OF AMERICA

FIRST EDITION

PRINTED AND BOUND BY
BRAUNWORTH & CO., INC.
BUILDERS OF BOOKS
BRIDGEPORT, CONN.

To My Mother

E. D. S.

In Grateful Tribute

ACKNOWLEDGMENT

The author is indebted to the editors of *The Atlantic*, *Current History*, *Forbes' Magazine*, *Forum*, *Nation's Business*, *The American Mercury*, and the *New York Times Magazine*, in whose publications some sections of this book have appeared in condensed form.

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THE DEAD HAND OF BUREAUCRACY

"The supreme misfortune is when theory outstrips performance."

—LEONARDO DA VINCI

CHAPTER ONE

The Virus of Bureaucracy

BUREAUCRACY is representative government suffering a nervous breakdown. Congress, in what passes at the moment for its wisdom, creates a new bureau, board, commission, or authority to deal with some relatively small problem of progressive adjustment, economic abuse, or social dislocation; and the next thing the country knows the new agency is hurling executive orders and administrative decrees to the four winds like an angered amazon. "Stop underselling your competitor, you chiseler! . . . Change that advertising copy. . . . Raise wages for all. . . . What about your oil quota? . . . Buy more government bonds. . . . Shorten the hours of labor. . . . Stop that price-fixing. . . . Watch your cash reserves, there. . . . Here's what you get for coal. . . . That's no soil-building crop! . . . Why do you carry life insurance? . . . Meet your foreign competition like a man. . . . Disband your holding company, that's not geographical integration. . . . What! no profits to tax—you hoodlum!" Modern bureaucracy begins with a law and a small experimental appropriation to do a job in flood control in the Tennessee Valley—and winds up

with a $90-million electric utility in hand, bought and paid for with the public debt.

This book traces the growth of bureaucracy in the United States from the founding of the Republic, but more particularly over the last half-century; for it has been only in this latter period that the tendency toward bureaucratic domination has developed its own peculiar regulatory devices, the quasi-judicial commission or administrative board.

Roughly, this bureaucratic era dates from the establishment of the Interstate Commerce Commission in 1887. The ICC was the forerunner of our prevailing alphabetical menagerie, the first continuing agency created expressly by Congress to regulate and administer an entire field of private enterprise. Slowly at first, but with increasing frequency as the years passed, additional regulatory and administrative boards were set up to deal with new problems of growth and progress until every field of human endeavor at length was under at least one arm of federal policing.

Since 1933, when a wholly new conception of the government's part in American economic management gained ascendancy in Washington, bureaucracy has blossomed to full flower. Of all federal agencies listed in the 1940 budget roundly half have been established since the inauguration of Franklin D. Roosevelt in 1933. And of all the expenditures itemized in the federal budget for the fiscal year 1941 well more than half are for agencies, functions, and programs authorized and established during the last eight years. In according the New Deal agencies approximately half of the book, the author gives them only the proportionate attention demanded by their relative place in the whole picture of our great American bureaucracy at work and at play.

Our scheme of treatment is analytical rather than historical. The first three chapters trace the constant growth of bureaucracy, as reflected in steadily increasing federal personnel, a growing burden of taxes and debt, and the ever expanding range of governmental interference with the evolutionary social adjustments of free enterprise.

The middle chapters trace the enlargement of bureaucratic regulation against abuses of economic power, to the ultimate concept of managed economy, in which government itself rather than individual initiative defines the main channels of economic activity. This section of the book might be termed the bill of particulars against bureaucracy. It traces the shackling effects of bureaucratic management upon industry, agriculture, housing, public assistance. It catalogues the encroachments of political spoils upon efficient public administration, and sketches the gradual mobilization of a political party of office-holders and patronage beneficiaries seeking first, not the general welfare, but only the perpetuity of its own greedy command of the taxing power.

The third section discusses solutions proposed to end our prevailing economic frustration and to restore in full vigor and social utility the traditional American structure of robust private enterprise under an orderly constitutional arrangement of checks and balances in public power. This is the urgent problem which the nation must solve soon if we are to preserve the fundamental forms and processes of a representative republic.

Under the violent advances of a militant and headstrong federal bureaucracy we are tending at the moment toward a form of one-man government administered through myriad bureaus whose administrators write the laws, interpret them

in application, and punish violations with their own decrees and penalties. In the words of the Senate Committee on the Judiciary as recently as July, 1939, the United States today faces this grave choice: "Unless this country is to become a totalitarian government these agencies must be required to observe the terms of the statutes and to exercise good faith in their administration."

Every suggestion of partisanship in the discussion is at once allayed by the fact that these ominous words were framed by a committee majority representing the same political party which at that moment directed the Executive Branch. Such an indictment tossed over the political fence by the Legislative Branch well might be discounted in some degree as parliamentary heat lightning; but when directed from the legislative group of one party to the administrative leadership of the same party the warning takes on by its own terms the authority of statesmanship and patriotism.

The author has lived intimately with bureaucracy for some fifteen years. As daily journalist and business-magazine correspondent he has known the legislative and administrative labyrinths of Washington under five Presidents. He often has seen legislation whipped to passage in fervid Utopian frenzy, and then remained to live and work with the earthy result—long after this or that band of starry-eyed nation-savers had turned to greener pastures or been retired by the discerning electorate to a well-earned oblivion.

Out of this experience has grown an abiding personal conviction that the ills which beset us never are quite so alarming as the Majority Report suggests; nor are the healing balms of bureaucracy ever so soothing as the political prescription promised. A great many things, in short, well might be left

alone by government. As Herbert Hoover once observed: "The manager's restless pillow has done more to advance the practical arts than all the legislation upon the statute books." This is but to say that, in a pinch, any mortal will scratch deeper for himself than his government will scratch for him.

The virus of bureaucracy is all-pervading. It infects every organ of government. This is so principally because administrative patterns of conduct and thought percolate from the top down. A personal leadership which inclines instinctively to the view that any crisis may be met by the mere passage of a law, or the hasty appropriation of another billion dollars, likely will appoint subordinates of the same philosophical predilection. Mr. Roosevelt, it will be recalled, once attempted to dismiss a member of the Federal Trade Commission because "our minds do not go along together," a reason which later was held by the Supreme Court to be not controlling. On another occasion the President dismissed the chairman of the TVA for "contumacy." He also removed a major general from command for his criticism of WPA. By this formula we must expect to find in our agencies of national defense approximately the same administrative pattern as is found in, say, agriculture, civil service, labor relations, or housing. No matter what the field, the rule always is the same—too great a centralization of authority and responsibility ultimately overburdens some individual in the bureaucratic maze, and matters begin to drift. Once adrift they tend naturally to ride the gentle ripples of complacency until events of epochal magnitude drag them again into the throbbing focus of official attention. Then there is a great emergency. How much ground may have been lost in the interval of drift is but a turn of Fortune's wheel.

In every age politics and government are dominated by one overshadowing conflict of interest or social theory. In one era it was the conflict of church and state, at another a struggle between subject and Crown, at another between the landowner and the embryo industrialist. In our day the great issue is between managed economy, or national planning under the guidance of bureaucracy, and private enterprise under general laws designed to curb individual abuses of economic power.

In this conflict the entrenchment of bureaucracy represents the ascendancy of managed economy, which is but a protective euphemism for totalitarian socialism. Every new bureau is created to accomplish by government fiat some predetermined result in national production, distribution, investment, or capital management. On the other side of the debate are the supporters of private enterprise, defending the ramparts of constitutional government, as they say, against the eloquent assaults of collectivist dogmas concealed in the demagogic habiliments of the more abundant life. This is the point at which every aspect of bureaucracy and its rank growth settles at last in national focus. Where bureaucrats take over, there private enterprise ceases to function in its full vigor, and beyond this initial phase of debility the encroachments of bureaucracy become but a matter of degree as applied on the several major salients of the national life.

Viewed in historical perspective the battle recently has been all with the forces of bureaucracy. But big bureaus now spawn little bureaus, and the remorseless burden of taxes is beginning to make a deep impression upon the public conscience. There are many straws in the political winds to indicate that the defenders of American liberty under law at

length will mobilize their forces to lift the dead hand of bureaucracy from the rasping and burning throat of enterprise.

To point, as we do, the failure of some recent legislative approaches and administrative methods is in no wise to condemn or discourage the lofty and noble aspirations of American life. Our people are by instinct and heritage a nation of idealists. We accomplish so much because we always begin with believing. The ideals of progress and social amelioration are the spiritual springs which nurture and sustain our whole national life. But the living standards of 130-million people are not to be raised by dreams and eloquence alone. Our lofty visions must be harnessed in practical application. They must in the long run not only pay their way, but show a national balance or profit in genuine social utility. Government is not an end but a means. We need to remind ourselves often of Grover Cleveland's admonition: "We proudly call ours a government of the people. It is not such when a class is tolerated which arrogates to itself the management of public affairs, seeking to control the people instead of representing them."

The thesis of this book then is, not that progress in the humanities must end with the rigid curbing of our rampant federal bureaucracy, but rather that the full drive of human ingenuity shall be released by freeing the still unmeasured and unassayed powers of millions upon millions of individual aspirations and ambitions for a better life. As Woodrow Wilson once stated our thesis: "I have never found a man who knew how to take care of me, and reasoning from that point out, I conjecture that there isn't any man who knows how to take care of all of the people of the United States."

"The American Constitution is, so far as I can see, the most wonderful work ever struck off at a given time by the brain and purpose of man."

—William E. Gladstone

CHAPTER TWO

How They Grow

OVER the period of 140 years since establishment of the capital in Washington, the machinery of federal government, as measured in administrative personnel, has expanded roughly 700 times faster than national population. That growth, greater than ever during the last few years, presents the urgent issue of bureaucracy today. Since 1800 our population has multiplied by 25, but the federal civil personnel has multiplied by 17,950.

Top-heavy, loose-jointed, and running amuck with arbitrary powers which encroach daily upon the fundamental securities of the citizen in every realm of activity, the sheer bulk and range of government in the United States has become oppressive to the national spirit and a suffocating restraint upon our whole economy. Business is harassed by a daily tidal wave of executive orders, administrative rules and regulations, questionnaires, compliance surveys and inspection forms. In any new enterprise the first question to be answered is, "Can we get permission from Washington?" New

capital funds seldom, if ever, are available before the federal certificate of convenience and necessity is in hand; yet, in every case, a showing of adequate financial reserves is required in Washington before any license may be issued. The result is a slow strangulation of private enterprise—a spreading debility in the national business organism which has been described aptly by Colonel Leonard Ayres as "financial anemia."

To check this crippling influence of runaway bureaucracy is the foremost problem of our generation. Upon its solution depends the survival of balanced constitutional government. With the collapse of private enterprise under the present burden of meddlesome bureaucratic restraints and consuming taxes, would come the eclipse of our constitutional system and the emergence of some European pattern of totalitarianism. In all human history, no national economy ever has been able long to prevail half collectivist and half free-enterprise. "The government," said the great Thomas A. Edison, "never really goes into business, because it never makes ends meet."

In October, 1800, when the federal establishment was transferred to Washington, a weekly journal in the new capital chronicled that "the whole force of office clerks, totaling fifty-four persons, and all of the books and papers of the government, in seven small and five large boxes, were transported from Philadelphia."

The new venture under the Constitution then was a few months more than eleven years old, and the population under its jurisdiction was 5,300,000. The Executive Branch consisted of the Departments of State, Treasury, War, Navy, and Justice, and the semi-independent Post Office, only three of

which—the War, Navy, and Post Office—maintained establishments outside the District of Columbia.

Today, with a population increased twenty-five times, the federal machine is a maze of ten Departments, 134 subsidiary Bureaus, Divisions, Authorities, and Agencies, and sixty-eight independent establishments. It employs at home and abroad a few more than 970,000 men and women, not including 400,000 officers and enlisted men in the Army, Navy, and Marine Corps. Where in 1800 only the Customs Agents of the Treasury were empowered to make arrests, there are today more than twenty-five different grades of federal police officers, scattered through seven departments and operating directly in all the states. Then, the national government touched the people only remotely, through state officers. Today, the federal bureaucracy reaches into the basement with a booklet on wood storage, into the nursery with a pamphlet on infant care, into the farmer's barn with instruction on cleaning the cream separator. It tells business how it may advertise, and banks how they may invest. It tells farmers what they may sow and how much they may reap. It selects presidents and directors for railroads, electric utilities, steamship lines, and air transport corporations. It dictates trustees in corporate receiverships. It fixes wages and regulates the distribution of profits, if any. It rules basic commodity prices in many lines, and often influences industrial prices against the judgment of private management. Over all, it maintains literal armies of supervisors, investigators, checkers, examiners, and quota inspectors, one or all of whom may descend without notice upon any business organization at eight o'clock in the morning, and take over all books and files for a day, a week, or a month.

Had the federal organization expanded since 1800 precisely in step with the increasing population, the civil rolls today would carry less than 2,000 names, instead of almost a million. Had the government establishment expanded ten times as fast as population, the civil rolls today would carry approximately 15,000 names. Had it expanded one hundred times in proportion to population the rolls would carry but 140,000 names. It has, in fact, expanded more than *seven hundred* times in relation to the population!

No one would contend, of course, that the increasing complexity of political, social, and economic organization has not justified fully some of this expansion; but inquiry yet may be made whether the recent sprawling tendency in government has overreached both the practical needs and economic resources of the nation. Obviously the development of the automobile in the first decade, the airplane and radio in the second, and a vast range of social dislocations in the third decade of the Twentieth Century present pressing new problems for government, which are quite apart from the mere increase in population. At no point under the theory and practices of representative government, however, may we assume that each successive problem of growth is solved automatically by the mere creation of a new bureau in Washington.

"First the blade, and then the ear, then the full corn shall appear," runs the Scriptural genesis of bureaucracy: First a commission, then a bureau, eventually a new department. There is no other definition of the federal province today. Those areas of administration which have been turned over to some bureau or commission are matters of federal concern, and those which have not been delegated by Congress remain the interests of the states. The fortuitous political forces and

processes which from time to time produced these new agencies of regulation go far toward explaining our present chaos in constitutional theory.

As national development presented new problems, demand arose for extended measures of governmental intervention and assistance. Unable to agree upon a new national policy in a single session, Congress usually created a commission to investigate and administer the new problem and report, with recommendations, at the ensuing session. In the next session the commission was continued for a second year, the report indicating that the problem had many ramifications. Quite naturally it came about often that the division between those who wished to give the new problem over to the federal authority and those who wished it to remain in the old legal status was deep-rooted and about equal in point of votes. Thus a clearly defined national policy seldom was achieved. Meanwhile the commission gradually expanded its activities from year to year, frequently gaining increased appropriations as a compromise between the two opposing congressional groups, and so ultimately entrenching itself as a new independent establishment of government. The Post Office began as an independent establishment in 1794, and was not recognized as a department until 1872. The Department of Agriculture began as a commission in 1862. The Department of Labor began as the Bureau of Labor, in the Interior Department, in 1888.

But it was not until the last half-century that the national urge toward new commissions developed alarming symptoms. The revolt against the spoils system called into being the Civil Service Commission in 1883; the evils of railroad rebating gave birth to the Interstate Commerce Commission

in 1887. These were among the first commissions, in the present-day meaning of the word. They were new agencies of government vested by Congress with quasi-judicial authority, created specifically to administer some particular phase of national life. The important departure in each case is found in the fact that such agencies are responsible directly to no elective authority; their spheres of operation are broadly defined by Congress in the respective organic acts; the appointive terms of the actual administrators are fixed by law. As a result, the commissioners are, for all practical purposes, removed from personal political accountability. A department head who is found to be an unfaithful public servant may carry down a President. Or he may be brought to trial in the courts. But it is axiomatic in Washington that, right or wrong, an administrative commissioner is as strong—or weak—as the group which sustains him in Congress. By these processes the final authority of commissions was found not so much in the stable development of law as in the kaleidoscopic postures of raw and woolly politics.

From about 1890, the mania for boards, commissions, and joint committees developed rapidly. Theodore Roosevelt's administration, 1901-09, brought nineteen new boards and fifty-seven new commissions into being. President Taft's four years recorded the launching of thirteen additional commissions and thirty-two new boards. Counting every sort of board, commission, committee, joint committee, and special delegation, 492 independent administrative and legislative agencies were created between March 4, 1901, the beginning of the Theodore Roosevelt era, and March 4, 1929, the end of Mr. Coolidge's administration.

Among the more important agencies created in this period

were the International Waterways Commission and the Board of Engineers for Rivers and Harbors, in 1902; the Joint Army and Navy Board, 1903; Crop Reporting Board, 1905 (since combined with the Department of Agriculture); Inland Waterways Commission, 1908; International Joint Commission, 1909; Federal Reserve Board, 1913; Federal Trade Commission, 1914; National Advisory Committee for Aeronautics, 1915; Council for National Defense, United States Shipping Board, United States Tariff Commission, and Farm Loan Board, 1916. All these agencies still operate, largely under their original enabling acts, but in several cases the official legal designation has been changed during the last five years by presidential executive orders regrouping some of the scattered agencies. For the most part, however, these executive orders merely changed the bureau name on the office door.

With the outbreak of the World War in 1914, every agency of the government suddenly was burdened with added duties, and a score of new independent establishments were created almost overnight to administer the problem of sustaining about half the world with food and munitions.

Purely military functions were lopped off rapidly after 1918, but the trail of post-war problems, administered by such agencies as the Veterans Bureau, Railroad Administration, Allied Debt Funding Commission, and the Alien Property Custodian, imposed upon the federal machinery a burden which at once routed all hope of a return to the pre-war personnel basis.

Two broad principles emerge from the eighty-odd pounds of printed matter which make up the federal budgets since 1920: first, that every bureau or commission costs something;

and second, that it will probably cost more next year than this. Bureaucracy is responsive to but one cosmic impulse—to grow, grow, grow. As Governor Franklin D. Roosevelt, of New York, so prophetically warned in a radio address on March 2, 1930: ". . . if we do not halt this steady process of building commissions and regulatory bodies and special legislation like huge inverted pyramids over every one of the simple constitutional provisions, we shall soon be spending many billions of dollars more."

The movement for a comprehensive functional reorganization of the federal government began in 1912. President Taft attempted heroically to check bureaucracy in its infancy, and every President since has urged some degree of reform along this line. In a special message to Congress on January 17, 1912, Mr. Taft urged the integration of all federal activities according to basic function, the elimination of overlap and duplication, and the establishment of an organizational scheme adapted to "the most effective and economic dispatch of the public business." At that time the civil pay roll carried only 370,000 names and the total annual expenditures of the federal government were roundly $700-million a year—approximately $400-million *less* than is carried in the 1941 budget for the single item of interest on the public debt.

Woodrow Wilson once likened the structure of the United States Government to an old plantation house he had known as a boy in Georgia. In early Colonial days the structure had begun as a single square room of hand-fashioned red brick. Three years later a log cabin had been attached at the rear. Another five years saw the old brick façade extended in two directions, with bricks of another size and color. The second generation ran out a wing from each end of the newer brick

additions and graced the whole with a spacious and fashionable porch sustained by imposing white columns. Another generation replaced the old log portion with still a fourth style of brick, lifted the building from the ground, dug out a cellar, and underlaid the whole with a foundation of stone and mortar. It was, in the end, a very substantial building, which served quite well as a plantation homestead. Especially striking was it to those who knew that it had been designed in the first instance as a mere prospector's shack beyond the Fall Line.

It was his own hope, Mr. Wilson explained in the 1912 campaign, that he might bring about this final phase of modernization and unification as applied to the federal government. There were, to his mind, "a great many old lean-tos which need to be ripped away, so that the light and air of the modern world may enter the central structure."

American involvement in the World War frustrated Wilson's glowing plans for reorganization and retrenchment. On the contrary, creation of the war agencies sent the federal pay roll skyrocketing from 480,327 on June 30, 1916, to a record high of 917,760 on November 11, 1918. The Harding and Coolidge years were an unending struggle to get the governmental machine back to manageable size. The post-war low was achieved in December, 1922, when the civil rolls carried 510,233 names. At March 4, 1933, Franklin D. Roosevelt found 563,487 helpers on the federal staff, and by June, 1940, his roll of administrative aids, assistants, runners, experts, and counselors had expanded to 976,259.

There is nothing about the Bureau of Home Economics in the Department of Agriculture which characterizes that agency as a particularly striking example of persistent bureau-

cratic expansion. As measured by the current standards of government service it is an efficient unit. It is administered by scientists of high professional standing. Yet the history of Home Economics offers a typical illustration of the growth process in Washington during the last half-century.

The first appropriation ever made by Congress for investigations in human nutrition was voted in 1893. In the Hatch Act of 1887 a fund of $10,000 had been provided for studies in "the composition and digestibility of different kinds of food for domestic animals." Six years later the Department of Agriculture's annual supply bill carried an additional $10,000 for research in human nutrition. From this latter appropriation we trace the development of the Bureau of Home Economics. In 1895 the appropriation was increased to $15,000, and in 1900, to $17,500. The next year, the item carried $20,000. By 1915 the experimental work in human nutrition had grown to be the Office of Home Economics with a staff of seventy-one persons. At the end of 1915 the agency had distributed 16,306,800 copies of its bulletins. In the thirteen years prior to 1910 only sixty titles were published; but in the next five years seventy-two titles were added. In 1919 the Office of Home Economics began the study of fuel conservation in the kitchen range, and soon afterward came elaborate studies in *Household Methods for Making Jellies*, *Studies in Making Pastry*, and *Cake Making*.

With work of this magnitude before it the entire system of nutrition bureaucracy had far outgrown the status of mere functionary in the Office of Experiment Stations. By a special act of Congress it was re-established as the Bureau of Home Economics, a new unit in the Department of Agriculture.

Such are the fruits of the $10,000 appropriated in 1893 for

federal research in human nutrition. Established as a full-fledged bureau in 1923, with an appropriation of $71,760 for the first fiscal year, the Bureau advanced to the select group of $100,000-a-year agencies about mid-term in the Coolidge era. The rate of expansion since that time is indicated by the following table of appropriations.

Fiscal Year	*Home Economics Budget*
1928	$ 109,963
1933	233,600
1937	1,561,126
1941	946,129

This development is typical. It is not an extraordinary example. The detailed history of almost any of Washington's 241 sub-agencies might be cited as a parallel.

When the urge toward bureaus and commissions became a national fetish in the period 1880-1890 the civil rolls of the federal government carried, on average, 135,000 names. What has happened since is indicated by the following tabulation from the United States Civil Service Commission:

Year	*Total Civil Employees*
1900	256,000
1910	378,000
1920	691,000
1930	580,000
1940	970,000

President Hoover struggled with bureaucracy's insatiable budget demands for three years. Late in 1931 he sent to Con-

gress a bundle of some fifty-eight executive orders regrouping, consolidating, and eliminating federal offices. Under the then effective reorganization authority the presidential orders were subject to veto by either House of Congress. Speaker Garner took the position that the Hoover orders did not promise adequate economies and the House accordingly passed the veto resolution without even the formality of committee hearings.

President Roosevelt's reorganization proposals of 1937 aroused an instant hue and cry of "dictatorship." Their presentation in Congress was coincident with the transmittal of the celebrated court-packing bill, and they contemplated in large measure the single-headed domination of the quasi-judicial agencies by the White House. Rejected by the House by a close margin in the last days of the 1938 session, they were revised in the House, "de-clawed" in the Senate, and enacted early in 1939.

Throughout this legislative struggle Mr. Roosevelt denied repeatedly all charges of dictatorial designs, insisting his program was devised only in the interest of economy and efficiency.

"To reduce expenditures to the fullest extent consistent with the efficient operation of the government," was the way Mr. Roosevelt put it in one official statement. The same objective was stated in his executive order of April 25, 1939, presenting the first detailed regrouping plan under the 1939 act. "The reduction of administrative expenditures which it is probable will be brought about by the taking effect of the reorganizations specified in this plan is estimated, as nearly as may be, at between $15,000,000 and $20,000,000 annually, a substantial lowering of the existing overhead."

But these rich fruits were not realized. During the first four months following this executive order, no less than 47,187 civil employees were added to the federal establishment, and the monthly pay roll increased by $8,200,000, or at the rate of roundly $100,000,000 a year. For the month of April, 1939, the United States Civil Service Commission reported 885,766 federal pay-rollers, with salaries for the month aggregating $133,426,857. By the end of August, however, the pay roll carried 932,953 names, and salaries for that month were $141,670,976.

With the outbreak of the European war on September 2, 1939, there again set in a quick "emergency" expansion of the civilian personnel.

Reviewing this record of reorganization efforts since 1912, we may summarize results by saying that the movement began with 370,000 federal pay-rollers, and ended with 970,000. So it is not beside the fact to suggest that the problem of bureaucracy still remains. It must be solved soon if the nation is to escape a cataclysmic bankruptcy and that resultant form of national receivership which abroad frankly is called dictatorship.

Nor has all our recent pay-roll expansion been in the newer agencies. True, vast administrative machines have taken form in the so-called "emergency" areas of administration since 1933, but it is also true that every regular department of the government, save one, has enjoyed a parallel steady growth. The table below, taken from official Civil Service records, shows the general expansion of employment in the *permanent* departments between January, 1933, and March, 1939:

Department	*Number of Employees* Dec. 31, 1932	*Number of Employees* Mar. 1, 1939
State	4,686	5,734
Treasury	52,043	68,559
War (*Civil rolls only*)	53,343	97,052
Justice	8,987	9,098
Post Office	273,583	291,901
Navy (*Civil rolls only*)	46,936	77,064
Interior	14,483	46,764
Agriculture	26,371	85,610
Commerce	17,816	13,166
Labor	5,494	6,489
Civil Service Commission	623	1,601
RFC	1,948	3,894
Federal Communications	257	619
Federal Reserve Board	208	427
Veterans Administration	34,111	36,371
General Accounting Office	1,974	4,730
Federal Power Commission	55	597

For the fiscal year ended June 30, 1939, the Government Printing Office reported the consumption of 368,977 pounds of ink, including 154,402 pounds of mimeograph black furnished to the clattering batteries of departmental duplicating machines. This pool of federal ink cannot, unfortunately, be placed end to end, but the poundage begins to assume significance when we read the report of the Central Statistical Board covering the calendar year 1939. In that year individuals and business concerns returned to the various federal agencies no less than 135,500,000 reports, questionnaires, accounting forms, tax schedules, and inspection sheets. In surveying this rain of ask-me-another forms from Washing-

ton, the President's Special Committee on Returns parenthetically acknowledged "a substantial amount of unnecessary duplication." Confirming the Committee's findings, the Central Statistical Board reported for 1939 that twenty-one federal agencies now collect reports from farmers, eight from bituminous coal mines, eleven from railroads, eight from communication companies, fourteen from water-borne transport companies, nineteen from food processors, twelve from textile mills, seventeen from banks, twelve from the construction industry, nine from retail chain stores, and seventeen from independent retail stores. Recalling that 1939 was not a decennial census year, First Citizen Doe—John to the tax collector—will have no difficulty in understanding the travails of 1940, when seven general census reports were required, in addition to the routine departmental questionnaires.

So vast is the area of periodic reports to Washington today that many large corporations recently have created special departments, manned by attorneys, accountants and statisticians, to do nothing but comply with federal regulations touching their respective industries. One national corporation reported in 1938 total expenses of $300,000 for government reports alone.

Even more costly, however, is the interruption to business occasioned by the arrival of federal inspectors. Swooping in unannounced, they take over entire establishments for as much as ten days at a time, cross-examining bookkeepers, checking inventories, scrutinizing vouchers, auditing pay-roll taxes, testing chemical formulas, challenging advertising copy, rooting in to faded and yellowed office records to determine whether earnings have been withheld from distribution

to evade taxes. The records of Congress and of the regulatory commissions bulge with the testimony of bankers and business managers thus taken apart in their own offices by their respective federal supervisors. Not infrequently it has developed that the two-week productive period thus lost has represented, in the final accounting on the year, the difference between a profit and a loss.

Pervading all this tangled growth of bureaus, boards, commissions, authorities, administrations, councils, and committees, is the current deep instinct of government toward collectivism, managed economy and "social planning"—the demand for the centralization of all power and authority in Washington.

Thomas Jefferson and Calvin Coolidge, in their respective times, warned with equal vigor against this tendency, and statesmen of all rank and of all parties have echoed them with varying degrees of eloquence and influence.

"It is not by the consolidation or concentration of powers, but by their distribution, that good government is effected," Jefferson said. A government of centralized powers, he added on another occasion, "would ultimately become the most corrupt on earth." Again he warned, "Were we directed from Washington when to sow and when to reap, we should soon want bread." Herbert Hoover once observed that if all enterprise were managed at the efficiency level of the Post Office Department, the nation shortly would be in dire need.

In his Memorial Day address of 1926, President Coolidge laid down the dictum that "from every position of consistency with our system, more centralization ought to be avoided.

"Once the evasion of local responsibilities becomes a habit, there is no knowing how far the consequences may reach.

Every step in such a progression will be unfortunate alike for the States and the Nation."

And still echoing over the history of our recent fabulous federalism sounds the grave admonition of Woodrow Wilson, uttered in 1912:

"The history of Liberty is a history of the limitation of governmental power, not the increase of it. When we resist, therefore, the concentration of power, we are resisting the processes of death, because concentration of power is what always precedes the destruction of human liberties."

"Taxes are paid in the sweat of every man who labors, because they are a burden on production, and can be paid only by production."

—FRANKLIN D. ROOSEVELT

CHAPTER THREE

Here Comes the Tax Man!

REAL trouble was sown when the American people began talking in billions. At that point, taxes and public spending passed from the realm of the understandable into the gaudy fairyland of fiscal astronomy. As long as the taxpayer could deal in sums measurable in the ordinary experiences of life—thousands or millions, for example—popular opinion operated as an effective check upon public squandering. But when, during the World War, we began to read of federal expenditures ranging up to $19-billion a year, most folks gave up.

The Four-Minute-Men of the Liberty Loan drives tried to measure a billion dollars by counting the ticks on the second hand of a watch since the birth of Christ. But it was no go. They might as well have tried to convey an impression of the distance to Jupiter.

A billion-dollars thus became a mere language symbol for an amount of money far beyond popular comprehension; and from this public attitude it was but a step to our present situ-

ation, in which one billion and ten billion are about the same, so far as concerns actual value significance in public discussion.

Even today, after twenty years in the fiscal stratosphere, one needs whip his imagination to get a manageable mental picture of a billion dollars. He may visualize a man working for four dollars per day, and then multiply him by a thousand. That would make $4,000 wages per day for the group. If these men worked every day, including Sundays and holidays, they would earn combined wages of $1,460,000 in a year.

And if they remained on the job steadily, with never a day off, for 684 years, plus 169 days in the 685th year, their total wages would equal $1-billion. That, in terms of human toil and sweat, is what makes bureaucracy tick.

If we now project the same group of a thousand men working every day for 6,850 years we begin to feel the weight of a $10-billion federal budget. These are the ultimate realities of everyday economics which President Roosevelt apparently had in mind when he said, in a campaign address at Pittsburgh, Pennsylvania, on October 19, 1932: "Taxes are paid in the sweat of every man who labors, because they are a burden on production and can be paid only by production. If excessive, they are reflected in idle factories, tax-sold farms, and, hence, in hordes of the hungry tramping the streets and seeking jobs in vain."

At another point in the same address, Mr. Roosevelt restated the direct restraint which burdensome taxes impose upon business and employment. He said: "I regard reduction in federal spending as one of the most important issues of this campaign. In my opinion, it is the most direct and effec-

tive contribution that government can make to business." He emphasized that no group in the population escapes the burden of taxation: "Our workers may never see a tax bill, but they pay in deductions from wages, in increased cost of what they buy, or, as now, in broad cessation of employment."

During the first seventy years of the Republic (1789-1860), per-capita expenditures of the federal government averaged $1.76 a year. During the next fifty years (1860-1910), this per-capita average was $7.73 a year. With the World War expansion, per-capita expenditures leaped to $65.28 for 1920, and then gradually were beaten down to a post-war low of $23.16 for the fiscal year 1927.

Depression and relief grants for public assistance swelled the per-capita federal cost to $30.16 for the fiscal year ended June 30, 1933. And since that year enlarged grants and hastily devised new functions have increased federal costs steadily to $100.84 per capita for the fiscal year ended June 30, 1940.

For the average family of four persons, this means roundly $403 a year in taxes (or in the deferred taxes of public debt) for the privilege of being governed from Washington. By computation this federal tax load reduces to $33.50 a month per family, or a little more than the average American family pays for house rent—all before a penny is paid in local taxes to the states and counties.

A roar of astonishment and indignation rolled over the land in 1913 when the Sixty-third Congress enacted, in its *two* sessions, spending bills in excess of a billion dollars. It was our first "billion-dollar Congress," the butt of cartoons, songs, and vaudeville gags for many months. But twenty-three years later, in 1935-1936, the Seventy-fourth

Congress, also in two sessions, approved expenditures and authorizations aggregating more than $20-billion! While the population had increased from 100-million to 125-million, or twenty-five per cent, the scale of annual federal spending had increased considerably more than tenfold.

As of May, 1936, this $20-billion authorized by a single Congress would have purchased all the stocks and bonds of all the railroads then listed on the New York Stock Exchange, plus all the listed stocks and bonds of railroad equipment corporations, plus all the listed stocks of the automobile industry, the electrical equipment industry, the farm machinery industry, and the paper and publishing industry—and yet leave a cash balance of approximately $74-million. As of May 1, 1936, the official report of the New York Stock Exchange published the list value of all these securities at $19,926,000,000.

Another impressive comparison is with total federal expenditures for all years from George Washington's inauguration to the beginning of the Taft Administration. During these 119 years (1789-1908, inclusive), total federal expenditures were only $21-billion, or a billion more than the amount authorized by the Seventy-fourth Congress for the fiscal years 1935 and 1936. In round numbers, therefore, the Seventy-fourth Congress alone authorized as much federal spending as did the first sixty Congresses combined.

Despite sporadic economy chatter and reorganization pinwheels during the last four years, the fact remains that total federal spending for the four fiscal years, 1937-1940, inclusive, exceeded by several billions the total of the four years 1933-1936, the period which brought our first "twenty-billion-dollar Congress." In Appendix Table 1, page 279,

the expansion of federal receipts and expenditures, in relation to population increase, is traced from the establishment of the Republic.

The average annual pay of all federal civil employees, as officially reported by the United States Civil Service Commission for December, 1937, was $1,871, or considerably better than twice the national per-capita income. In other words, federal bureaucrats live on a scale far better than that of the majority of the people who support them. This is one reason why Washington, D. C., is the highest ranking city in the world for department store sales in relation to population. The Washington metropolitan area likewise boasts one automobile registration for every 2.6 persons, "the highest in the United States." If automobile ownership is a yardstick of prosperity, bureaucracy is the fattest career in the world. Philadelphia has one auto for every 8.5 persons, Chicago one for every 7.15, Pittsburgh one for every 9, and Detroit, "the Motor City," one for every 4.03 population.

Hand in hand with loose fiscal policies in the federal government, state and local subdivisions likewise have been enlarging their spending spheres over the last quarter-century.

In 1913, when federal government cost $6.92 per capita, local tax collections were $12.63 and state costs, $3.11—a combined government cost of $22.66 per capita. By 1930, the cost of local government had advanced to $40.77 per capita, and state government to $14.46. In 1939, local government costs were reduced to $37.10 (largely by passing public works and relief expenditures to the federal agencies), while state costs appeared stabilized for a time at approximately $15 per capita. Meanwhile, the per-capita cost of federal government had advanced to $100.84. Combining the three

bills, we arrive at a current per-capita governmental expenditure of $152.94, or roundly $611 a year for the average family. These figures are the basis of the current gibe that, on averages, at least one-fourth of every pay check is earmarked for the tax collector before the pay envelope is opened.

The same story of headlong extravagance is told in the debt expansion of the state and local governments. In 1913 state and local debts combined were $46.92 per capita; and at the end of 1938, $147.22. Adding the per-capita federal debt of $325.24 (February 15, 1940) we come to the total public debt of roundly $472 per capita, or $1,889 for the average family. Rearmament starts at this point.

This burden of public debt constitutes an unseen mortgage upon every family dwelling in the land. And since the Labor Department finds the value of the typical owner-occupied urban dwelling in the United States to be approximately $4,500, this public-debt mortgage amounts today to roughly forty-two per cent of the current value of all America's homes—assuming every family had one! To summarize, the combined public debt of the United States—local, state, and federal—now amounts to nineteen per cent of the average wealth per family.

If there is no philosophical or theoretical limit to the range of government, there is surely an economic limit. Broadly speaking, the rule is that no governmental unit can spend safely more than it can pay for in one generation. Several of our states have operated very successfully on that principle for many years.

But there is, in fact, a deeper principle governing the matter under our American constitutional system—the principle that taxes and spending are directly in the hands of the people

themselves. In whatever governmental jurisdiction, public appropriations are authorized ultimately by the elective body closest to the voters. True, there are more recipients of public benefits than direct taxpayers; but in economic reality this situation does not divide the electorate into the "haves" and "have-nots," as is sometimes contended. As President Roosevelt put it so forcefully in 1932, the burden of public spending falls in the end upon the total of national production, and precisely where the exaction is made under sound tax arrangements is, within broad limits, a matter of secondary significance. There is no device by which any section of the population may escape the fact that taxes are "a burden on production, and can be paid only by production."

Our great need, therefore, is to re-establish the fundamental principles of economy and efficiency in public administration as first commandments to our legislative bodies. With these principles as the lode star of policy the benefits thereof inevitably will influence the standard of living for all. Only by such restoration may we hope to batten down the individual securities of the Bill of Rights.

To accomplish this urgent reform we must invigorate the principle of local self-government. That principle was perhaps best epitomized by Jefferson in his historic defense against the then hobgoblin of a strong federal government dominated by Hamilton. Said Jefferson:

> "... Were not this country already divided into States, that distribution must be made that each might do for itself what concerns itself directly, and what it can so much better do than a distant authority. Every State is again divided into counties, each to take care of what lies within its local bounds; each county again into town-

ships or wards, to manage minuter details, and every ward into farms, to be governed each by its individual proprietor. . . . It is by this partition of cares, descending in gradation from general to particular, that the mass of human affairs may be best managed for the good and prosperity of all."

Abraham Lincoln reduced the Jefferson formula to epigrammatic clarity in a campaign address against Douglas at Chicago, July 10, 1858. The essence of republican government is presented in his single sentence: "I believe each individual is naturally entitled to do as he pleases with himself and the fruits of his labor, so far as it in no wise interferes with any other man's rights." When that principle again is applied rigidly in our administrative scheme, bureaucracy will be powerless to sustain itself.

On the other hand, we have in every phase of government today to contend with the collectivist concept of managed economy. One of the most articulate advocates of this scheme of government is Rexford G. Tugwell, formerly Under-Secretary of Agriculture, who declared on December 29, 1933:

"It is, in other words, a logical impossibility to have a planned economy and to have businesses operating its industries, just as it is also impossible to have one within our present constitutional and statutory structure. Modifications in both, so serious as to mean destruction and rebeginning, are required. It is strange, in a way, that we should have come so long a journey to the very threshold of this new economic order with so little change as is yet visible either in our institutions or our intentions . . ."

Between Jefferson and Lincoln on the one hand, and Tugwell on the other, we find the great issue of American life today—responsible common-sense government managed and directed by free men; or withered and enslaved individuals laboring on the treadmill of their assigned tasks under the stop watch of an all-powerful and all-consuming bureaucracy of social planners.

Which will America choose? The decision likely will turn upon questions of taxation and federal fiscal policy. If excessive public spending is continued, the government will grow powerful and the people weaker. If, on the other hand, sound principles of administration are restored the present burden of political plunder may be lifted, and unwholesome bureaucratic powers curbed. Then the people once more will become masters of their own affairs. One road leads to fat government and thin citizens, the other to sturdy, robust citizens and virile, efficient government. In the end, both bills are paid from the total production of the people. The issue in taxation is simply, "How much shall we give our government to spend?" The people themselves may spend only what remains.

No amount of political soothing syrup or fiscal magic can change this fundamental reality.

"You do well to weep like a woman for what you could not defend like a man."

—THE SULTANA ZORAYA

CHAPTER FOUR

The Jungle of the Law

GROCER Bill Miller, of Cheltenham, Maryland, feels strongly that something ought to be done about it.

Miller is a typical village grocer operating a one-man store in Prince George's County, which borders the District of Columbia. He is known in his community as a hard-working, square-shootin' citizen, and his tangle with the law grieved him deeply.

One fine summer's day in 1939, when Bill was opening a new crate of cornflakes, a brusque fellow entered the store and introduced himself as an agent of the Bureau of Internal Revenue. Bill was glad to see him. He visioned the sale of a loaf of bread. But after passing the time of day, the revenue agent said he was there on business—hard business, but duty impelled him. Grocer Miller, it developed, had sold sugar to some of his customers in quantities of a hundred pounds and more, without reporting to the Collector of Internal Revenue at Baltimore the names and auto license numbers of the buyers.

Miller said he had never heard of such a law. But ignor-

ance of the law, of course, excuses no one. Accordingly, on October 10, 1939, Grocer Miller found himself in the United States District Court at Baltimore, charged with twenty violations of the federal law. Twenty-one government witnesses were on hand to testify against him.

Testimony adduced that Miller had telephoned his friend, Congressman Usher Burdick, of North Dakota, following the first visit of the Treasury agent. Congressman Burdick had informed him no such law covering sugar reports was on the statute books.

"Well, I thought Congressman Burdick knew what he was talking about when he told me that," Miller testified.

Congressman Burdick also testified for the defense: "The Legislative Reference Service at the Library of Congress, which I consulted, confirmed my opinion, erroneously it would seem, that it was no violation of the law to sell one hundred pounds of sugar without reporting the purchase to the government agents."

In response to a prosecution question, Burdick said, "I voted for this bill, but I did not think it had become law. The regulations laid down by the Treasury change so often you can't keep up with them." This sentiment was echoed by Congressman Lansdale G. Sasscer, of Maryland, who defended his constituent, Miller.

The court instructed the jury that erroneous legal guidance, even when offered by a Member of the House of Representatives, was no defense. In five minutes the jury came back with a verdict of guilty, and Grocer Miller got sixty days.

There is no way of knowing in these days of government by executive order how many people are molested, driven to bankruptcy or retirement for violation of laws or administra-

tive regulations they never had heard of. On the day of Grocer Miller's trial in Baltimore (October 10, 1939), ninety out of the first hundred lawyers you met in San Francisco, Pittsburgh, or Tulsa would have told you offhand that they knew of no law requiring the reporting to the Treasury of retail sugar sales in lots of a hundred pounds or more.

The case illustrates with poignant force the state of the federal *corpus juris* today. With Congress passing an average of 1,300 new laws a year and some 150 administrative units of government grinding out rules and regulations in their various spheres of jurisdiction, the mere volume of new federal code is utterly beyond human grasp.

Time was when a lawyer could go to the United States Code, read the law, dig up the court decisions thereunder and be certain of his ground. Today he might find, granted time, that twenty rulings by the Interstate Commerce Commission, the Federal Communications Commission, the Federal Trade Commission, or the Commissioner of Internal Revenue had changed the whole body of administrative law since the last court decision. But unless it had been his practice to read every day's grist of administrative and interpretative rulings from the federal agencies, he would have no way of even knowing about these orders. Times beyond numbering in recent years, attorneys have appeared in the federal courts to argue their cases on the basis of law long since superseded by administrative rulings under delegated legislative powers.

At one point in 1934 the Judiciary Committee of the House of Representatives reported that during the fifteen months following March 4, 1933, President Roosevelt had issued 674 executive orders, making 1,400 pages of type. Concurrently,

this committee report continued, the National Recovery Administration had proclaimed during its first twelve months 2,998 administrative orders, the texts of which could be found only by search through 5,991 official press releases from the Blue Eagle's nest. "Such chaos and disorder concerning statutory rules and regulations," the Judiciary Committee hinted, "demands an immediate solution."

A partial solution was achieved on March 14, 1936, with publication of the first issue of the *Federal Register.* This official gazette, the first in United States history, was set up to provide a central clearinghouse for all administrative law. No executive order or rule is subject to judicial notice until the text has been published in the *Federal Register.* This, however, is only a partial solution for the problem of bureaucratic lawmaking. It provides a clearinghouse for current orders and rules, but the jungle of the law which grew up in the heyday of executive orders still remains to be codified. On this problem a special committee of the American Bar Association has been at work almost continuously since 1933.

For both lawyer and citizen alike, however, the problem is far greater than the mere necessity of recording the body of new law in one place. More compelling, from the standpoint of safeguarding constitutional processes, is the task of limiting the realm and scope of daily executive law. However desirable it may be to acquaint the people with the precise content of the hourly rules and decisions of the myriad administrative agencies, it is a yet more urgent function of government to insure that these perpetual fountains of regulatory orders shall be limited somehow by the fundamental individual securities and protections of the Constitution. Without such safeguards, administrative law descends

quickly to corrupt despotism and cruel tyranny. Either the administrative rules must gear with the established processes of checks-and-balances in government, or the intent of Congress as expressed in the delegating act becomes the mere stepping-stone to abusive absolutism in the Executive Branch.

We have seen, for example, the delegated authority to rear a $500-million "flood-control" project in the Tennessee Valley stretched and wrenched by administrative conduct and rulings until it covered a federal purchasing agency for a state-wide electric utility corporation. But several months later the nation was informed by an official communication from the White House that the TVA never had been regarded as primarily an electric power project. It had been conceived, it now transpired, as a sort of continental recreational enterprise. Meanwhile, one of the greatest primary-power producing units in the country had been regarded formally in the courts as principally a flood-control project.

But what kind of a flood-control project? G. W. Dyer, professor of economics and sociology in Vanderbilt University (Tennessee), made a careful study of the economics of TVA. He reported: "The largest natural flood on record in the Tennessee Valley inundated for a brief period 541,000 acres of land. The TVA flood already has put under water permanently 917,000 acres of land." At March, 1940, Professor Dyer said the TVA's permanent flood covered parts of twenty-six counties in four states. The going value of the flood lands was fixed at $14-million.

In greater or lesser degree, depending largely upon the ingenious construction of the enabling act, this same freehanded warping and stretching of administrative authority has been developing daily through all our boards, bureaus,

and commissions. As the special committee of the American Bar Association observed: "Federal administrative agencies exercising judicial, in combination with legislative and executive powers, are obliterating essential lines of our government structure."

Happily for the peace of the land, most folks do not know the minimum measurements of an *interstate* potato. They were fixed by an AAA order of October 19, 1937, to "prohibit interstate shipment of potatoes less than one and one-half inches in diameter and grading less than U. S. No. 2. If recommended by the control committees, shipments of other small and low-grade potatoes may be limited."

The result of this order was that every potato-producing state ate its own culls, instead of feeding them to the hogs. The marketable grades all went to the interstate market, including millions of bushels which normally would have been consumed in the farm villages and towns. Soon there was a price-breaking surplus of fancy sizes in the interstate market—which was relieved by heavy potato purchases for the Federal Surplus Commodities Corporation. During the fiscal years 1937 and 1938 this Corporation purchased 8,276,648 bushels of surplus potatoes. By thus chasing its own tail very fast, bureaucracy frequently is enabled to escape the public ridicule so well merited by some of its more fantastic executive orders.

As long ago as 1937, the President's Committee on Administrative Management listed 115 federal agencies empowered to promulgate rules and regulations touching the public at large. The lawmaking powers of these agencies were derived from 964 statutory provisions and seventy-one presidential executive orders. When it is realized that often one statute

may be the fountain of several hundred administrative orders over a period of years, the ultimate range of departmental law is glimpsed. As the committee itself observed, "One of the most serious aspects of governmental regulation of business is the uncertainty of the law. The administrator must necessarily interpret the law in the very act of applying it. . . ."

Theoretically all these day-to-day administrative decrees are subject to judicial review; but at a cost in time, energy, and money to the individual which makes appeal the exception rather than the rule. Moreover, under a recent development in legislative preparation, judicial review often is limited to points of law, and does not extend to the facts and evidence underlying the contested administrative rule.

Another arresting innovation in recent congressional enactments authorizes administrative agencies to enter into direct private agreements with individuals or corporations, under the terms of published rules and regulations, with a proviso written into the statute that any act performed in good faith under such an administrative agreement shall not be penalized in the event of a later judicial determination invalidating the covering regulation. This provision of the SEC law presents the furthest reach of current administrative absolutism—and a rule of which the nation at large scarcely is aware. In the jargon of the street it says, "Go ahead and do it; if the Court later says it's illegal, you're still all right." Only two men in the United States—the fellows who wrote most of them—know how many such legal gimcracks were woven into the 5,725 public and private laws and resolutions enacted by Congress between March 9, 1933, and January, 1940. For national deliverance from the resultant quagmire of executive

lawmaking we have only the hope, so long as the Constitution prevails, that what Congress gives Congress also may take away.

In large measure, the confusion in law today arises from the lazy scheme of delegated powers, a governmental process which has demonstrated a snowball progression during the last decade, accelerated from year to year since 1933 by the so-called "blank-check" system of legislation. In agriculture, housing, banking control, maritime administration, and in regulation of the commodity and security exchanges, Congress has defined roughly the area of administration, and left to the President or his subordinates the promulgation "of such rules, regulations and procedures as may from time to time appear necessary for the purposes of this act." Under these practically limitless powers arises the stream of presidential and departmental executive orders.

The growth of this system is indicated by the fact that Lincoln issued but two executive orders, Grant thirteen, and McKinley fifty. Theodore Roosevelt, in a little more than seven years, issued 1,011, and William Howard Taft, in the next four years, 699. Under the pressures of the World War, Woodrow Wilson issued 1,770 executive orders in eight years. The next eight years, under Harding and Coolidge, brought 1,732. Herbert Hoover issued 1,004 between 1929 and 1932. During his first seven years, Franklin D. Roosevelt issued 2,538, or an average of thirty every month.

Executive orders range from individual exemptions under the Civil Service retirement rules to the establishment of gigantic governmental agencies, the determination of the gold content of the dollar, or the mint price of silver. The Works Progress Administration, for example, was created,

not by an Act of Congress, but by an executive order of the President.

With an average of more than one White House executive order every day since 1933, the careful citizen, to be truly informed on public affairs, would arise from his bed each morning, reach for the telephone, and ask the National Archives, "What is the new law today?"

Occasionally an executive order first comes to public notice when some citizen unwittingly runs afoul of its commands. In other cases, the executive order is heard of by the country only when the administrative department issues its regulations thereunder.

On January 16, 1940, the Secretary of the Treasury, Mr. Morgenthau, visited a large aircraft factory in Baltimore. At his press conference in the Treasury a few days later, he was questioned concerning his new interest in aircraft production. He responded casually that his trip had been in connection with "the work of the Co-ordinating Committee."

"What is the Co-ordinating Committee?" an astonished newspaperman asked. Mr. Morgenthau's answer indicated that officials of the Treasury, War and Navy had been assigned by executive order to function as a Co-ordinating Committee on European War Purchases. The order had been issued on December 6, 1939!

Without the purely fortuitous question in the press conference, following Mr. Morgenthau's Baltimore visit, the nation might not yet know of the existence of the Co-ordinating Committee. With the new agency thus accidentally exposed to public view, the White House issued a formal public announcement of its duties and functions under date of January 23, 1940. The committee then had been operating seven weeks.

In 1937, the Brookings Institution of Washington listed 133 agencies of government, counting each major Cabinet Department as only one unit. Of this total, sixty-six had been established since March, 1933—exactly half. And of these sixty-six new agencies, thirty-five had been created by presidential executive order or by proclamations issued by parent administrative agencies under delegated legislative powers. In addition, this report listed ten commissions, committees and councils which had been created merely by a letter from the President, or by an "informal memorandum" on White House stationery.

"There appears to be no official printed record giving the authority for their establishment," the report added. Among the agencies so created were the Advisory Committee on Education, the Central Housing Committee, the National Power Policy Committee, the Great Plains Committee, and the Advisory Council for the Government of the Virgin Islands.

Surveying the status of twenty-two other agencies created by presidential executive order since 1933, the Brookings Institution reported:

> "Little is known of the operations of these agencies. Many do not publish an annual report or any statement showing expenditures, number of employees, or source of funds. For instance, the Advisory Committee on Education evidently has had a staff, as it has published a series of monographs. It is understood that it derives its money from the Works Progress Administration relief funds, but no official statement giving this information has been published. The public interest would be served by bringing these agencies under control and by making available information regarding their operation. The accomplishment of this end is within the authority of the President. No legislation is needed."

The federal corporation, owned and operated in whole or in part by the Executive Branch, is not a new instrument, but its power and influence have been extended vastly in recent years. Often it has been used as a device to evade public laws of general application requiring periodic reports and accounts from the statutory agencies. It is likewise beyond reach of the Civil Service merit system, a consideration which places all the jobs on the pie counter of patronage.

The first federal corporation was the Bank of the United States, incorporated by Congress under an act of February 25, 1791. As of March, 1933, there were nine federal corporations in operation, with combined assets of $3.4-billion. Between 1933 and 1940, forty-seven new ones were called into being—including such gigantic ventures as the Home Owners Loan Corporation, Federal Deposit Insurance Corporation, United States Housing Authority, Commodity Credit Corporation, Tennessee Valley Authority, Electric Home and Farm Authority, the Export-Import Bank of Washington, Disaster Relief Corporation, and the Virgin Islands Company. As of January, 1940, the combined assets of these government corporations were in excess of $22-billion. "It is perhaps not too much to say," observed Representative Richard B. Wigglesworth, of Massachusetts, in the House, "that we have in Washington today a government which is in effect a tremendous holding company." But this particular holding company is not subject, of course, to the historic "death-sentence" clause written into the SEC Act governing privately owned holding companies. As Congressman Wigglesworth's study concluded, "Once set up these corporations have been largely beyond the control of Congress. . . . These corporations in many instances have retained

whatever income they have received. . . . They have thereby escaped the normal examination and criticism of their policies which takes place in the hearings before the Appropriations Committee and in the debates on the floor of Congress."

Through the corporate arrangement the federal government exercises direct management control over some 7,000 subsidiary corporations, both public and private. This control demands voluminous detailed reports, examination of books, conformity to standard operating practices prescribed by the master-corporation, and often extends to the direct federal dictation of subsidiary financial and personnel policies. In 1936 the Comptroller General of the United States disapproved vouchers from two federal corporations chartered in Delaware, because examinations of the charters revealed vast powers to deal in real estate and carry on other transactions "never contemplated by Congress in the establishment of the parent statutory agency." One trick of the corporate device is that the perpetual charters issued by some states continue the status of the corporation indefinitely, regardless of what Congress later may do with the administrative agency from which the corporation originally flowered.

Among executive orders, administrative regulations, and federal-corporation powers there is hardly a substantial definition of Washington's sweeping authority over the individual. Dean-Emeritus Roscoe Pound, of the Harvard Law School, said in April, 1939, "The spirit of American institutions is opposed to reposing arbitrary power anywhere. We have no place in our polity for an omnipotent leader or body of super-men administrators with infallible hunches, guided by a super, super-man at the head of an absolute hierarchy."

More recently the American Bar Association's special Committee on Administrative Law has urged vigorously upon Congress some effective measure to surround the mere citizen with more secure judicial protection against the edicts of our "anonymous and sheltered officialdom." When and if these recommendations are enacted, Grocer Miller of Maryland will feel his sixty days in the brig were not spent in vain.

Nor is this problem of unbridled administrative law peculiar to America, although its recent manifestations here have been most virulent. In his *New Despotism,* Lord Hewart of Bury, the Lord Chief Justice, warned Britain that by the devious methods of bureaucratic entrenchment "the whole system of self-government is being undermined, and that, too, in a way which no self-respecting people, if they were aware of the facts, would for a moment tolerate."

"Bureaucracy holds all things in leading strings; it stifles men of talent who are bold enough to be independent of it or to enlighten it on its own follies."

—BALZAC

CHAPTER FIVE

We, the Government

AMERICAN bureaucracy has developed its own techniques of terror and tyranny. Crossed, it can move against a citizen like an angry monarch. It may harass with executive orders, seize books and papers, or demand audits. It may, and often does, crush critics with income-tax proceedings. By purely political uses of vast public powers official Washington may hold decisive segments of outraged national opinion in an attitude of cowering silence. Dramatically summarizing these pernicious tendencies in the federal establishment, Representative Hatton W. Sumners, of Texas, Chairman of the Committee on the Judiciary, declared before the House on April 19, 1940: "Contrary to all our philosophy of government we have placed in one appointed personnel all three powers. They make the rules; they construe the rules; they enforce the rules. When one of these people goes to an ordinary private citizen, he goes to him with all the powers that a king ever had. The citizen has no power to resist, practically speaking, the mandate of an agent of these bureaus."

Supporting Chairman Sumners' point was a case under the Grain Futures Act, in February, 1935, in which a long-established trader was excluded from all domestic markets for two years. In that proceeding the Secretary of Agriculture was the plaintiff. He was also the prosecutor. He was also one of the three judges. The other two judges were the Secretary of Commerce and the Attorney General, both intimate political associates and warm personal friends of the plaintiff-prosecutor-judge, Wallace. "If a court so constituted," remarked the Chicago *Tribune,* "is competent to deprive a man of his livelihood, no citizen can feel that his liberty and property are secure." Yet the case epitomizes the current dangerous delegation and centralization of judicial powers in the Executive Branch, a development which subverts the very keystone principle of the American constitutional structure. This recent bureaucratic tendency away from the separation of legislative, judicial, and executive powers gives force to de Tocqueville's warning of 1834; "It has been demonstrated by observation and discovered by the innate sagacity of the pettiest as well as the greatest of despots, that the influence of a power is increased in proportion as its direction is rendered more central."

A full-blown picture of bitter political reprisal by the Exexutive Branch is found in the sworn affidavit of Hildreth Frost, a reputable attorney and title expert of Colorado Springs, Colorado, who had been established in that community for more than thirty years. Today, Frost's affidavit reposes peacefully in the forgotten files of the Department of Justice, to which it was delivered in August, 1937.

In 1934, this document relates, Frost began doing considerable title examination work for Professor Tugwell's Reset-

tlement Administration, which was buying many parcels of marginal land throughout Teller County, Colorado. The resettlement business was welcomed and was given every attention. Matters moved along nicely until October, 1936, when Frost was solicited by a salesman employed by the Democratic National Committee to buy one hundred copies of the Democratic Convention Book at five dollars a copy. The salesman stipulated that two of the books would be "autographed by President Roosevelt." Frost demurred, expressing the feeling that a five-hundred-dollar rebate on the resettlement business would be pretty stiff, whereupon the sales agent "finally agreed that five of the books should be autographed by President Roosevelt."

From this point the story is told in Frost's own words, from his affidavit.

> "After a long conference, which must have lasted nearly two hours, Mr. Cahill, the salesman, said he was not authorized to accept from me less than $250—but finally said that $100 was the absolute minimum. I offered to buy one book for $5 but he would not sell it. He insisted that I should pay $500, or at least $250, which I concluded in my own mind, based on the conversation, meant either a twenty per-cent or a ten per-cent 'cut' on the total gross amount of the abstract business performed for the Resettlement Administration.
>
> "At one time in the conversation Mr. Cahill said something about a man ought to be willing to contribute ten per-cent of the direct benefits he had received as a result of the policies of the Democratic Administration.
>
> "Mr. Cahill left my office in a very pleasant spirit, but after reiterating that he was sure I would be very much better off and would profit greatly in future business if I would make such a contribution."

Frost did not make any contribution. But two or three days after this solicitation trouble began, and during the next six months a series of twelve intimidating or coercive threats against his business and professional standing were recorded. Here are the threats as outlined in Frost's affidavit.

"A threat to cancel the abstract company's contract. [This was later done by the Resettlement Administration in Washington.]

"A threat to dispute certain items in the bills.

"A threat to hold up the making of vouchers and sending them to Washington for payment.

"A threat to secure WPA funds to set up a competing set of abstract books to put my abstract company out of business.

"A threat that the Resettlement people would put their own agents in the field to make abstracts direct from the county records. . . .

"The foregoing threats are those made personally to me or in my presence. Many other threats have been reported to me indirectly by friends in the community. It is quite evident that threats and pressures were also brought to bear on others and, since the incident, the whole relationship and the whole abstract business have been kept in a constant turmoil.

"The threats of course, and the Cahill story were entirely verbal, but the other matters related herein can be supported by letters and other forms of documentary evidence. A report on this whole series of conversations, threats, and incidents was made by me soon afterward to the Colorado Abstractors' Board of Examiners, under which I am licensed, and is there a matter of official record. This matter also has been placed before the Executive Secretary of the American Title Association. . . .

> "There is no doubt in my mind that this has been entirely a shakedown engineered by and through the Democratic National Committee, aided and abetted by the officers named in the Resettlement Administration.
>
> "My abstract business has been grievously injured and damaged by these various acts of political blackmail."

An investigation by the House Rules Committee into the sale of campaign books autographed by the President disclosed they had been sold to some nine hundred corporations which normally would do business with the federal government. The charm of the device, as explained in the hearing, was that it facilitated contributions to the Administration's campaign coffers without a public accounting under the Federal Corrupt Practices Act. "The sale of the books enables us legally to accept corporation checks, and this is the way all of the companies who are assisting us are handling these expenditures," said one sales letter offered in evidence.

From the records of the United States Supreme Court comes the case of J. Edward Jones, a New York oil operator, who dared challenge the bureaucratic authority of the SEC. Early in May, 1935, Jones filed a registration statement covering certain trust certificates he proposed to offer for public sale. The law provided that if no exceptions were noted by the SEC the registration should become effective twenty days after filing. On the evening of the nineteenth day, Jones received a telegraphic demand for additional statistical material, and was ordered to show cause why a stop-order should not issue against his registration statement. At this point Jones elected to withdraw his application rather than become involved in a tangle of hearings. But the Commission ruled he could not withdraw. The stop-order hearings were held

in June, despite Jones's absence. Next day Jones petitioned for a judicial review of the Commission's rule denying his motion to withdraw the preliminary registration statement. This case reached the Supreme Court, which on April 6, 1936, sustained Jones on every point and denounced in forceful language the extraordinary conduct of the SEC. "The action of the Commission finds no support in right principle or in law," the Supreme Court said. "It is wholly unreasonable and arbitrary. . . . Arbitrary power and the rule of the Constitution cannot both exist."

The day after this decision in Washington the United States District Attorney in New York went before a grand jury to seek a criminal indictment against Jones. The indictment, alleging fifteen counts of mail fraud, was voted on May 8, 1936. When the case went to trial in April, 1937, the government required three weeks to present its evidence. The defense rested without calling a witness. The jury promptly returned a verdict of "not guilty."

Here then is a record of a citizen fighting bureaucracy for his very life for two years. One full year of his battle came after he had won his original contention before the Supreme Court.

Before the 1936 criminal indictments were called to trial, in April, 1937, Jones was approached by a solicitor who urged him to purchase 1,000 copies of the Democratic campaign books at $2.50 each. Although Jones understood from the sales talk that he might expect some unseen assistance in the criminal case pending against him, he refused to buy the books. But he did place a full transcript of the solicitation in the hands of the United States District Attorney in New

York, in October, 1936. Like the affidavit of Hildreth Frost, of Colorado, this transcript sleeps the beautiful sleep in the archives of the Department of Justice.

These cases illustrate how bureaucracy, on occasion, will resort to every form of legal violence calculated to enforce its capricious will, or to command partisan advantage. No one can know how many times a year government thus turns on citizens in a mood of bitter reprisal. Nor do we know in how many other cases mere threat commands rebellious compliance with bureaucratic decrees. For every citizen who has the resources to fight such legal terrorism to the Supreme Court or to Congress, there are obviously thousands who must cower without a struggle.

The executive power likewise is invoked frequently to suppress important official documents bearing upon public policy. A special resolution of the Senate was required in 1936 to force publication of itemized payments in excess of $10,000 a year to farming corporations operating under AAA. When this resolution was introduced every White House power of patronage was thrown against it, and the Senate did not get the information until seven months had passed. A presidential campaign had intervened.

A similar resistance to the publication of official records came to light in WPA when formal demands were made for the administrative pay rolls in the several states. Although every other government pay roll is a matter of routine public record, the Department of Justice sent special attorneys to Philadelphia to resist a mandamus for the WPA pay roll in Pennsylvania. The government was sustained in this resistance to publication, and similar proceedings were won in

several other judicial districts, principally on the ground that executive authority is supreme in all exercises of discretionary power. Where Congress had failed to require publication, it was not the province of the courts to demand it.

In the same manner, the report of the Army Board of Engineers against the Roosevelt proposal to establish seven little TVA's throughout the country was suppressed, as were the original Army reports on both the Passamaquoddy Power Project and the Florida Ship Canal.

An amusing story in the records of the Federal Communications Commission relates how, by the astute political use of governmental powers, a Massachusetts editor of militant Republican inclinations was converted to New Dealism. The editor decided to supplement his newspaper with a local radio station. Sometime between the date of his application and its approval by the FCC, the editor dropped all criticism of Democratic policies, both state and national. But the first radio license gave this editor only daylight broadcasting hours—after a considerable investment in equipment. Thereafter a promise of night hours at some future date kept him a loyal Democrat through the following three elections, for his only chance to bail out on the heavy investment was to obtain night hours in the profitable range of commercial broadcasting.

Another arresting case of official suppression and crackdown is the story of Major General Johnson Hagood, who testified on December 17, 1935, before the House Committee on Appropriations that a large proportion of the WPA fund was being wasted. "I could do a great deal of the repair work at anywhere from a half to a fourth of the present estimates," General Hagood told the Committee. The text of the House

hearing was not released until February 10, 1936. General Hagood's testimony attracted instant national attention. The official ax fell on February 24—an order in these words:

"By direction of the President, Major General Johnson Hagood, U. S. Army, is relieved from assignment in command of the Eighth Corps Area and further duty at Fort Sam Houston, Texas. Major General Hagood will proceed to his home and await orders."

A Senate investigation began immediately. A whirlwind of public indignation beat upon the White House. Within a few months General Hagood was assigned to command the Sixth Corps Area at Chicago. After serving one day in the new post he retired voluntarily from the military service. The Army has a word for it—"busted."

In any engagement with federal bureaucracy, the individual is hopelessly outflanked. If the internal revenue agents cannot get him into court on income tax charges, there yet remain the postal inspectors, the special investigators of the Department of Justice, the intelligence unit of the National Labor Relations Board, or the Wage-Hour inspectors. Long before a businessman could explain his situation to the satisfaction of all these secret service units he likely would accept eagerly any executive decree. In special cases, additional forces of federal compliance examiners may be turned upon the individual, such as bank examiners, Department of Agriculture quota agents, or SEC accountants. In all these scattered good-behavior services there are employed today some 13,000 intelligence agents. Their only job is to check the daily conduct of citizens. They may commandeer books, papers, and private records. A number of them have been caught tapping telephone wires and intercepting mails.

Far more terrible than their power to enforce is their ability to annoy and harass. In scores of cases, recalcitrant individuals have been kept alive on the hook of government for two, three, even five years, without an official citation for trial. This whole complex of snooping and prying secret services presents coercion and intimidation by government on a scale previously unknown and undreamed in America.

In the fall of 1933 an influential business magazine commissioned a staff writer to roam the country in quest of a cross-section of business opinion and sentiment. The findings were published in February, 1934, under the title, "Why Business Is Afraid." "One effect of government management," ran the editor's summary, "has been to drive honest opinion into hiding." The case was cited of a manufacturer who found his business hurt by Washington's endless flood of rules and regulations. "But for fear of reprisal, he sent the letter, not to Washington, but to his advertising agency—and thus hid behind his agency, which, in forwarding the protest, concealed his name."

Two years later, on January 25, 1936, Professor Neil Carothers, Director of the College of Business Administration, Lehigh University, explained in a public address in Washington why he always was a bit reluctant to criticize Roosevelt policies. "It is not an agreeable task to oppose intrenched power, when that intrenched power is armed with every instrument of propaganda, is hypocritically callous to its own mistakes, is arrogantly hostile to all criticism, and is savagely determined to silence all opposition. The opponents of such intrenched power must expect to endure the imputation of false motives and the defamation of personal character."

The violent impatience of administrators checked by the courts was well illustrated in the memorable "horse-and-buggy" press conference at the White House following the historic NRA decision of the Supreme Court in May, 1935. It was illustrated again in January, 1936, when Secretary Wallace referred to the Court's decision turning back the illegally collected processing taxes, as "the greatest legalized steal in American history."

These reckless and impulsive attitudes of personal absolutism were ingrained deeply in the NRA days. They sprang from a general intoxication in Washington. "Results, results, and damn the consequences," was the slogan of the hour. Under its spell, Donald R. Richberg, General Counsel of NRA, gave utterance, on July 6, 1933, to one of the most amazing declarations of federal policy to be found in all our national history:

> "There can be no honorable excuse for the slacker who wastes these precious moments with doubting and debate—who palsies the national purpose with legalistic arguments and appeals to prejudice. As the legal adviser of the National Recovery Administration let me indicate in a brief space the futility of a debate over questions of constitutional law in this critical situation."

Here is the whole body of the law under the vicious Doctrine of Emergency. Such were the heady dogmas which gave America the New Bureaucracy. Thus came ominous scratchings at the ancient shield and the scribbling of a strange new shibboleth on the escutcheon of freedom: "We, the Government. . . ."

"Through the expenditure of prodigious sums of public money, and through the conditions the government imposes upon the states before they may receive these funds, American self-government is being destroyed before our eyes."

—ALBERT C. RITCHIE

CHAPTER SIX

Competitive Insolvency

WHEN Uncle Sam offers the helping right hand of financial assistance to a state, he extends at the same time a grasping left hand toward the administrative jurisdiction of the sovereign beneficiary. By the dollar-matching plan of grants-in-aid the province of federal authority has been expanded steadily during the last half-century, and at an accelerated pace during the last decade. Every federal dollar in the states commands in return a dollar's worth of "compliance." Congress or the federal administrators prescribe how the money shall be spent, and the local administrative machinery must conform to Washington's master-plan. Often the federal standards are too rigid to permit anything approaching an adequate degree of local accommodation, and in many instances the federal requirements have forced states to policies of reckless luxury and extravagance.

The extension of this formula year after year into ever

broader areas of administration constitutes in cumulative effect a demoralizing encroachment upon the powers and responsibilities of the states. Worse, dollar-matching extends the tentacles of federal bureaucracy, through the new state administrative organizations, into the most intimate daily concerns of the people. The recent sweep and force of this movement is epitomized in the fact that during the last five years the nation has discussed excitedly a book entitled *Our Vanishing States.*

Under the inexorable pressures of national aid, the whole concept of federalism is giving way before the advance of an overwhelming centralized bureaucracy. As the vitality of the state organism steadily is undermined, the normal checks and balances of local self-rule are vitiated, and the people are reduced more and more to an attitude of dependency upon, and subservience to, Washington's bureaucratic whims. Local taxes are tending to be determined, not by local needs, but by the requirements of a score or more of federal dollar-matching enterprises.

The development of this centralization tendency is demonstrated by the shifting of relative tax collections as between the federal, state, and local units of government during the last twenty-five years. In 1912 the federal government collected 27.6 per cent of all taxes, the state governments 14.5 per cent, and the local units—municipalities and counties—57.9 per cent. In 1938 the federal proportion was 40.7 per cent of all the taxes, the states got 26.1 per cent, and the local units 33.2 per cent. In twenty-five years, therefore, the combined state and local collections, although larger in actual amounts, shifted from 72.4 per cent to 59.3 per cent of the total. Here is the real yardstick of federal encroachment. Yet at 1940

the people only had begun to visualize the ultimate scope of this federal pace-setting, as then plotted in the surveys and blueprints of Washington's inner circle of national planners.

"Beware the bureau bearing gifts," was the admonition of Senator Peter G. Gerry, of Rhode Island, in April, 1939. "To become eligible for the grants, the states must make certain commitments. . . . Call it co-operation or call it control, in either case the ultimate power is in Washington and away from the people. . . . I say unhesitatingly that our state executives and our state legislators should be on guard against the encroachment of the federal government. They must be alert and active if they expect to preserve and retain their sovereignties against the steady advance of federal power."

The Georgetown phrase-makers have described grants-in-aid to the states as "a mechanism to effectuate national policy or to promote the performance of a service on a nation-wide scale," but Senator Gerry explained he was inclined by nature to more "realistic" definitions and suggested a federal grant well might be described as "a gift or bribe by which the national government induces the states to do what the states otherwise could not, or would not, do." The validity of this definition is illustrated by a statement of Governor Albert C. Ritchie, of Maryland, in 1933, when the first fabulous public works program of the Roosevelt Administration presented yet another dollar-matching scheme for the consideration of the Free State:

> "I have fought for States rights for twenty-five years. I am opposed to such encroachments by the federal government. But Maryland will be compelled to enter into these Public Works enterprises. We would not build the projects ourselves, but since Maryland pays more

than one per cent of the direct federal taxes, if every other State accepts its allocations, Maryland must do so in self-defense."

The suggestion, therefore, that all these federal programs are optional is highly distilled economic theory. In Pennsylvania the federal authority went to court to force PWA schools on Amish communities.

National subsidies to the states began in 1791 with grants of land for public schools, universities, and capitol sites. These were approved generally as in accord with the peculiar constitutional powers of the federal government in relation to the public lands. In the period 1800-1850 federal funds were allocated to the states, under various devices of subterfuge and disguise, for highways, canals, railroads, and public buildings—but always after bitter and determined congressional opposition on constitutional grounds. The debates on "internal improvements" dominated American politics during the first half-century of our national life. In a legal sense, these debates never were resolved, but merely were submerged by "the fire bell in the night" which heralded the graver issue of the Civil War.

In 1837, and again in 1841, Congress distributed a Treasury surplus among the states in proportion to their federal representation, on the constitutional theory that the federal government was vested with no power or authority to receive or hold more money than was necessary for the performance of its enumerated powers.

Beginning in the late 1850's a new national debate began on a proposal to establish a system of state universities through donations of federal lands. President Buchanan

vetoed the bill, on the ground that the central government was vested with no power to guide the development of educational systems within the states. The Land Grant Colleges finally were established under Lincoln in 1862.

In 1879 Congress authorized small contributions to the states to aid in the education of the blind. The next development came in 1887 with an allocation of $15,000 a year to each state and territory for an agricultural experiment station, to be established in connection with the Land Grant College. In 1888 grants were approved for the establishment of state homes for aged war veterans. Two years later, in 1890, a cash allocation of $25,000 a year was approved for each Land Grant College. Into this appropriation act was written an obscure clause authorizing the Secretary of the Interior to withhold federal funds from those states which did not fulfill their "obligations"—the legal seed of our current vast development of federal compliance authority within the states.

Another large step was taken in 1902 with establishment of the federal reclamation program in the arid areas of the West. In 1906 the annual money allocation to the agricultural experiment stations was doubled to $30,000. The next year the annual contribution to the Land Grant Colleges was doubled to $50,000.

In 1911 Washington extended aid to the states for protection against forest fires, and for the maintenance of marine schools. The nation-wide system of county farm agents was established in 1914. The Farm Loan Act of 1915 introduced federal subsidies to agricultural credit, the ultimate cost of which probably never will be known.

The Public Roads Act of 1916 marked an epochal develop-

ment, and the first considerable venture in dollar-matching. It was approved in Congress and sustained by the courts as a proper federal function under the Post Roads Clause of the Constitution.

Further aid to the states was authorized in 1916 for the maintenance of national guard equipment. The federal program of vocational education followed in 1917. A world-wide epidemic of influenza in 1918 called out federal aid to check virulent diseases, and 1920 saw the establishment of a federal program of industrial rehabilitation as a new approach to the age-old problem of assistance to war veterans.

A measure providing dollar-matching aids for the welfare of mothers and infants was enacted in 1921, and in 1925 the federal contribution to the agricultural experiment stations was trebled to $90,000 a year. Direct federal seed loans to farmers were authorized in 1930, and under the growing pressure of world-wide economic dislocation, the Reconstruction Finance Corporation was established in 1932. Amendments gradually have enlarged this enterprise to a federal bank of practically unlimited financial power, with officers or agents in every state.

The inauguration of the New Deal in 1933 marked the beginning of a new era of federal aids. In the period 1910-1915, federal subsidies to the states averaged $5-million a year. By 1930 this item in the federal budget had expanded to $150-million a year—seventy-six per cent for highways and national guard aids. But by 1938 federal grants had increased to $800-million a year, only thirty-seven per cent of which was for highways and national guard. Nor does this figure include, of course, expenditures of roundly $2-billion within the states during 1938 for various federal relief programs.

Since 1938 three additional bills have been presented in Congress to extend federal dollar-matching by some $250-million a year in the fields of education, medical care and public hospitalization.

In this historical outline, we trace the development of federal subsidies from land grants to money grants, and finally to dollar-matching national policies. In terms of money, federal grants to the states have increased from less than one per cent of the federal budget in 1915 to approximately eight per cent in 1938, and the new proposals before Congress, if approved, would expand this item to ten per cent of a federal budget which currently is financed to approximately one-half its total by public borrowing and realization on the Treasury's "recoverable assets."

During the last five years many states have been compelled to seek new sources of revenue, principally in the consumers' sales tax, to keep abreast of the increasing dollar-matching pressures from Washington. In other cases of record, states and municipalities have borrowed to meet the federal grant, which also had been borrowed.

This is the race to bankruptcy in which the whole nation finds itself today—a system of competitive insolvency wherein the federal government matches a dollar it does not have with another dollar the state does not have, for an enterprise neither can afford nor long support.

Federal expansion under the New Deal is surveyed in detail in succeeding chapters. At this point, however, we may note two historic incidents which have marked recent extremes of federal encroachment upon the administrative jurisdiction of the states. In 1935, Secretary of the Interior Ickes, in his capacity of Public Works Administrator, undertook to

withhold certain approved allocations from New York until an individual politically objectionable to himself should be removed from the local supervisory authority. This controversy ultimately was resolved by the intervention of the President and the Postmaster General, who, responsive to great political pressures, ruled against the federal administrator. Similarly, in 1938 the Social Security Board determined summarily that all federal allocations to the Ohio old-age pension fund should be withheld until the state administrative machinery had been reorganized. In February, 1940, a special act of Congress directed the Treasury to pay the arrears allocations, but this measure was vetoed by the President. Hundreds of comparable cases of direct federal determination of state and local policies make the record of federal aggression since 1933.

Chaos in constitutional theory touching federal-state relations is the seat of our present difficulties in dollar-matching. The question of "internal improvements" was resolved in practice largely by specious conformity to constitutional limitations under the clauses dealing with commerce and navigation, although it was not until 1875 that federal authority within the states in protection of interstate commerce finally was confirmed by the Supreme Court. The historic roads act of 1916 was styled, "An act to provide that the United States shall aid the States in the construction of rural post roads, and for other purposes." Later, in the definitions of Section 2, this amazing language occurred: "for the purposes of this act the term 'rural post road' shall be construed to mean any public road over which the United States mails now are *or may hereafter be* transported."

It was not until 1933 that the General Welfare Clause of

the Constitution was advanced seriously in Congress as a basis for unrestrained federal intervention in the states. Traditionally, the welfare clause had been held applicable only to the taxing powers of Congress. Under the impulse of emergency, the Roosevelt "Brain Trust" early advanced the ingenious argument that, even granting the welfare clause to be a limitation exclusively upon the taxing power, what is the logic of such a definition if it does not imply the authority also to *spend* for the general welfare? And how spend but in the states? Under this construction all constitutional limitations upon federal spending within the states vanish instantly, save as they may be curbed by Congress or the courts under the doctrine of enumerated powers—a doctrine which, under the political bludgeoning of recent years, has lost much of its force and authority.

By degrees, therefore, we see the fulfillment of the prophecy uttered by Representative Hugh Williamson, of North Carolina, in debate on the Codfisheries Act of 1792, that the welfare clause generally construed, "in the hands of a good politician may supersede every part of our Constitution and leave us in the hands of time and chance." Williamson had been a member of the Constitutional Convention of 1787. His words sound an ominous warning when read in the light of Franklin D. Roosevelt's letter to Representative Samuel B. Hill, of Washington, under date of July 5, 1935, regarding the then pending Guffey Coal Act:

> "Manifestly, no one is in a position to give assurance that the proposed act will withstand constitutional tests. . . . But the situation is so urgent, and the benefits of the legislation so evident, that all doubts should be resolved

in favor of the bill, leaving to the courts, in an orderly fashion, the ultimate question of constitutionality. . . . I hope your committee will not permit doubts as to constitutionality, however reasonable, to block the suggested legislation."

When it reached the Supreme Court this law was held to be unconstitutional. The President's letter, however, signalized an abrupt reversal of Mr. Roosevelt's position on constitutional limitations in an interval of five years; for he had asserted with heated emphasis in a radio address on March 2, 1930, that the federal government was authorized to exercise no more power within a state than had been granted specifically by the Constitution. As Governor of New York, he acknowledged the police powers of the federal government under the Eighteenth Amendment, but added:

"As a matter of fact and law, the governing rights of the States are all of those which have not been surrendered to the National Government by the Constitution or its amendments. Wisely, or unwisely, people know that under the Eighteenth Amendment Congress has been given the right to legislate on this particular subject; but this is not the case in the matter of a great number of other vital problems of government, such as the conduct of public utilities, of banks, of insurance, of business, of agriculture, of education, of social welfare, and of a dozen other important features. In these, Washington must not be encouraged to interfere. . . . The preservation of this 'Home Rule' by the States is not a cry of jealous Commonwealths seeking their own aggrandizement at the expense of sister States. It is a fundamental necessity if we are to remain a truly united country."

At this point, Mr. Roosevelt was very close to the position of Calvin Coolidge, who had urged in a message to Congress in December, 1924, that federal activities within the states should be limited sharply by constitutional considerations. "I am convinced," said President Coolidge, "that the broadening of this field of activity is detrimental both to the federal and the state governments. Efficiency of federal operations is impaired as their scope is unduly enlarged. Efficiency of state governments is impaired as they relinquish and turn over to the federal government responsibilities which are rightfully theirs. I am opposed to any expansion of these subsidies. My conviction is that they can be curtailed with benefit to both the federal and state governments."

Federal supervision of local activities never is accomplished by remote control. More than eight of every ten federal employees are located permanently within the states. At one point in 1940, when some 125,000 census enumerators were in the field, there were more than 950,000 federal pay-rollers operating daily within the borders of the states. Exclusive of the census force, Pennsylvania and New York each shelter more than 50,000 permanent federal employees, and other states are manned in approximate bureaucratic proportion.

During the last decade organized resistance to federal expansion has been gaining power. Through the Council of State Governments, thirty-seven commonwealths are seeking constantly to check the advance of federal bureaucracy, by co-operative action on regional problems, and by uniform state laws on matters of bona-fide national concern. The Annual Conference of Governors likewise has devoted increasing attention to the problem. In 1939, some forty-five

states joined in the Conference on State Defense, to resist through the united action of their attorneys general the persistent and expanding invasion of state jurisdictions. Congress already has marked these changes in the national temper, and once the independence and integrity of the federal judiciary is re-established by an uncorrupted public opinion, the courts soon will take judicial notice of the recent legal violence of federal invasion.

Most reputable students of the issue suggest as a first step in reform the establishment of some accepted definition of the respective province of the state and federal authorities under our constitutional system. Federal grants now filter into the states through some forty-one funnels from Washington, but nowhere is there a semblance of a general policy covering such operations. The history of these grants indicates they have been voted up or down in Congress largely by fortuitous circumstances of the moment, often determined by the activities of some well-organized lobby or pressure group. An intelligent survey of the prevailing chaos in both law and administrative organization would alone point a partial solution. The alternative is to muddle through until bankruptcy overtakes the whole scheme of governmental social services.

All these developments over the last ten years have given new significance to the admonition voiced in the House on April 28, 1930, by Representative Louis Ludlow, of Indiana:

> "During the last two decades bureaucratic power has grown by leaps and bounds, until Washington dominates, regulates, controls the nation even in the most intimate concerns of its citizens. Local self-government is vanishing in the rush to let Washington do it. Priceless rights and privileges which the forefathers intended

> to be exercised locally are being surrendered without a struggle into the vortex of federal authority. Every day government is being removed farther and farther from the home and fireside into the tentacles of the already overwhelming federal bureaucracy."

The far-away rumblings of national financial stresses now have caused the nation to give ear to such utterances, once dismissed airily as the fulminations of political alarmists.

"We have drastically restricted both the industrial and agricultural production of the nation, handcuffing our productive genius, just when we had achieved the technical essentials for a radical increase in the living standards of the masses of our people."

—GLENN FRANK

CHAPTER SEVEN

Saving the Farmer

GOVERNMENT aid to agriculture got off to a very bad start in America—in 1622.

Provoked by reports of rapidly increasing tobacco production in Virginia, His Majesty James I of England determined boldly in that year to establish the economy of the New World upon the nobler foundations of mulberry trees and silk worms. Tobacco was a devil-weed. Whereupon regal orders commanded the encouragement of cocoon culture—by land bounties, tax preferences, and shipping subsidies. Over a period of eighty years an apparently earnest effort was made by several Colonial governors to bring the experiment to fruition. To date, the cost of the venture in money and futile human effort has not been computed from authoritative sources, but the net result appears to be presented eloquently in the fact that, while Virginia tobaccos still command

premium prices abroad, not a pound of native silk has been exported from America since 1790.

King James's strong personal aversion to tobacco coincident with the settlement of the finest tobacco areas in the world, offers only a vagary of history. Yet the economic verdict stands—crops and yields are not determined by official fiat, but by soil, weather, and market demand.

Long and dazzling—and full of glorious hallucinations—is the history of political agriculture in the United States. But short and simple is the parallel story of the dirt farmer—the man with the gnarled fingers, who, slowly rolling back the wilderness from the Atlantic to the Pacific, brought America at length to that troubled state in which her tribunes cried in anguish to the Treasury against the curse of plenty. After all history had pivoted for centuries upon the struggle against hunger, legislative farming in America during the last twenty years has made *surplus* the most dreaded word in our economic lexicon. We have slaughtered, plowed under, dumped, and burned. We have increased tariffs, then lowered them. We have surveyed, reported, appropriated, and proclaimed. But the "farm problem" remains.

If it all appears a bit bewildering to the urban citizen, he yet may derive a measure of solace from the fact that, viewed in historical perspective, our present difficulties on the farm do demonstrate one fundamental doctrine of American life, namely, that free men living in civil security amid bountiful resources, will overcome by industry, thrift, and inventiveness, every obstacle to abundance. That is the great theorem of American history, which no political bungling ever will uproot. Our recent wholesale destruction and curtailment of primary wealth by government subsidy, in the face of need

and want on every quarter of the globe, stands as an abject and shameful surrender to the problems of distribution in a world bankrupted by war. In the history of other nations the willful destruction of wealth stands as a hallmark of decadence.

The extent to which American farm policy, in the first phase of development, was largely a concern of local education may be judged by the fact that the House of Representatives did not establish its Committee on Agriculture until 1820; and the Senate Committee was not established until 1825.

From the Colonial era, Jefferson vigorously advocated local agricultural societies as clearinghouses for methods and discoveries. Washington also supported these local enterprises, but, with Hamilton, went a step further to suggest *local* bounties encouraging new and varied production. In a message to the Fourth Congress, December 5, 1796, Washington thus outlined his proposals on agriculture:

> "Institutions for promoting it grow up supported by the public purse, and to what object can it be dedicated with greater propriety? Among the means which have been employed to this end none have been attended by greater success than the establishment of boards composed of proper characters, charged with *collecting and diffusing information,* and, enabled by premiums and small pecuniary aids, to encourage and assist a spirit of discovery and improvement."

The Jeffersonian farm clubs multiplied rapidly, consolidating gradually in state-wide organizations. By 1820 every state had some official or auxiliary board of agriculture, headed

usually by the leaders in the township organizations. Through the correspondence of these societies the federal Congress, in the decade 1825-1835, was made aware of serious soil depletion in New England and the South Atlantic States.

Meanwhile, the Commissioner of Patents, a functionary in the Department of State, had continued an unofficial duty suggested first by Franklin and inaugurated informally by Secretary Jefferson, of collecting exotic plants and seeds, and organizing, indexing, and diffusing scraps of agricultural knowledge gleaned from the communications of American consuls and ministers abroad.

Under the impetus of the soil-depletion cry from the seaboard, Congress, at the suggestion of the Commissioner of Patents, appropriated $1,000 in 1839 "for the collecting of agricultural statistics, investigations for promoting agriculture and rural economy, and the procurement of cuttings and seeds for gratuitous distribution among the farmers." This measure marks the beginning of federal aid to agriculture.

How slowly the work was expanded is indicated by the following table, with itemizes *all* agricultural appropriations up to the establishment of the Department of the Interior in 1849 to administer the vast public lands of the new West:

Year	*Agricultural Fund*
1839	$1,000
1842	1,000
1843	2,000
1845	3,000
1847	3,000
Total for 9 years	$10,000

With the creation of the Department of the Interior, the Commissioner of Patents, with all his plants, seeds, cuttings, and rural statistics, was transferred from the State Department; and in the new setting, patents, agriculture, Indian administration and public lands marched forward in easy harmony until 1862.

In that year, a scarcity of many foodstuffs, formerly obtained from the South, impelled President Lincoln to attempt vigorous measures for the stimulation of crops in the North. The law of 1862 established

> ". . . at the seat of the government of the United States a Department of Agriculture, the general duties and designs of which shall be to *acquire and diffuse among the people of the United States useful information on subjects connected with agriculture,* in the most general and comprehensive sense of the word, and to procure, propagate and distribute among the people new and valuable seeds and plants."

Coupled with this measure were the bills establishing the Land Grant Colleges—each endowed with 30,000 acres of the public domain—and the federal homestead policy, throwing open the western lands to pioneers who would undertake to wring a livelihood from the unscratched acres.

Under these national policies, and aided by her liberal immigration statutes, America recorded in the period 1860-1910 an epic of settlement and development unmatched in the history of the world. National wealth almost quadrupled, from $514 to $1,950 per capita.

The law of 1862 establishing the Department of Agriculture followed closely the pattern outlined by Washington in

1796. Both, it will be observed, emphasized the information clearinghouse idea, together with free seeds and cuttings. These functions prevailed as the core of agricultural policy until the beginning of the bureaucratic era in the 1880's. By the annual agricultural appropriations we now may trace the expansion of federal farm policy through the decades.

For the Year	*Agricultural Appropriations*
1839	$ 1,000
1850	5,500
1860	40,000
1870	151,000
1880	191,000
1890	971,000
1900	2,947,000
1910	12,647,000
1920	30,226,000
1930	83,171,000
1940	1,290,296,000

These expenditures mark clearly the three major phases of American farm policy. The first, from about 1750 to 1880, centered upon the stimulation of production and the improvement of yields. The second, from 1880 to 1930, added the regulation of marketing, establishment of federal food standards, certified government inspection, subsidized agricultural credits, and vastly expanded scientific research—through such bureaus as Home Economics, Animal Industry, Food and Drug, Chemistry and Soils, Experiment Stations, Extension Service, Agricultural Economics, and the Federal Farm Board.

Since 1933, we have been groping in a third era, "managed economy," which aims, in the language of the official declarations, at a system of "balanced abundance." Can bureaucracy increase farm prices without calling out ever larger production in the face of shrinking market demand? Thus far its gropings have been guided by a single light—millions, millions, and yet more millions from the federal treasury. And that, obviously, is not the answer. Despite an increase of considerably more than a *billion* dollars a year in the federal government's average contribution to agriculture in cash bounties and new federal services, official reports of the Department as of December, 1939, revealed that the average yearly income per United States farm dropped from $1,432 for the period 1926-1932, to $1,124 a year (including the benefit payments) for 1933-1939. These official figures assume full significance when we recall that the first period included three years of steadily deepening world depression, while the latter covered five years of international recovery. As has been suggested elsewhere, our American agricultural bureaucracy now is writhing in its own dust bowl.

The roots of our present agricultural dislocation run back to the period 1914-1918. The World War reduced European food production approximately twenty-five per cent by the end of 1915, and the continued absorption of man power, together with the steady expansion of the devastated areas, resulted in a 1918 agricultural production which was barely one-fourth of the European normal. Russian wheat, long the dominant European factor in the world market, practically vanished by 1917. Hog slaughter in Germany fell from 20-million head in 1913 to 7-million in 1916, and 2-million in

1919. By the end of 1919, Russia, the Central Powers, and the Balkan countries had not even seed for new crops.

The resultant abnormal demands upon American exports set in motion the inflation cycle with which Congress and our political farmers have been struggling so eloquently since 1920. Our wheat exports, which averaged 100-million bushels a year for the period 1910-1914, leaped to 264-million bushels annually for 1915-1921; oats from an average of 13.6-million bushels in 1905-1909 to roundly 100-million bushels a year for 1915-1919. Shipments of pork and lard were multiplied by three, from roundly a billion pounds a year for 1912-1914 to 2.7-billion pounds annually for 1918-1919. Beef exports increased from approximately 160-million pounds a year for 1912-1914 to 600-million pounds in 1917-1918; butter from 3.5-million to 30-million pounds a year; cheese, from 2.5-million pounds to 66-million pounds for 1916-1917; evaporated and condensed milk from 16-million pounds in 1913 to 728-million pounds in 1918; rice from 25-million pounds to an average of 488-million pounds a year for 1919-1921; tobacco, from 419-million pounds in 1912-1913 to 648-million pounds in 1919-1920.

Meatless and wheatless days at home accounted in part for our ability to fill these urgent export demands, but by far the greater supply came from increased production. Between the census reports of 1910 and 1920 the United States crop area expanded by 77-million acres, 35-million acres accounted for in new cereal grains during the years 1917-1919. Thus was European civilization rescued from the first cauldron of Armageddon.

But fancy prices were needed to call out such quick ex-

pansion in America. Between December, 1913, and December, 1919, the average farm price of wheat leaped from seventy-nine cents to $2.13 a bushel; corn from sixty-nine cents to $1.34; oats, from thirty-nine to seventy cents; cotton from twelve to thirty-five and six tenths cents a pound. Gross farm income was reported by the Department of Agriculture at $6.9-billions in 1913, and $16.9-billions in 1919. Land values skyrocketed with per-acre earning power. It was a period of wildest credit inflation, domestic and international. Hundreds of thousands of farmers mortgaged clear holdings to acquire additional acreage. The national farm mortgage burden, as reported by the Bureau of the Census, increased from $3.3-billions in 1910 to $7.8-billions in 1920.

For the most part, these war-time mortgages were based upon highly inflated land values calculated from prices necessary to call out the abnormal export supply. On average, according to reports of the Bureau of Agricultural Economics, our war-time land values were approximately seventy per cent above normal; but in the more fertile areas the boom values were blown to three, four, even five times the pre-war normal. Suddenly, in the year following the Armistice of November, 1918, the export demand for American food and cloth fiber crashed toward the pre-war normal.

It was the burden of this inflated debt which became the political hot point of the primary post-war deflation in 1920. Careful unofficial estimates by government experts indicate that about ninety per cent of these unsupported farm mortgages were held by small country banks, and most of the remainder by individuals. That is why, in the decade 1922-1932, the Comptroller of the Currency reported 8,942 bank failures in the United States, roundly 7,000 of which were in

the upper Mississippi Valley states—Iowa leading with 750, Missouri next with 541, Illinois third with 537, Minnesota fourth with 487, and so on through twenty states. At the end of this period committees of farmers throughout the region were mauling county judges in foreclosure proceedings.

But, argues today's political farmer, that war ended more than twenty years ago. Did we not suffer our post-war deflation in 1920-1921? We are experiencing now, as Mr. Tugwell puts it, not a depression, but the collapse of an outworn economic and social system.

Historically, that dogma is so much political hog-wash. The international economic cycle of the World War conforms precisely to those charted by the most reputable authorities for the American Revolution, the Napoleonic Wars, the War of 1812, and the American Civil War. In this war-and-peace cycle, the primary post-war deflation (as 1920) reflects only the precipitate falling demand incident to the cessation of destruction and the demobilization of the military. The secondary adjustment (severe in the degree that the war was destructive of capital wealth) follows in ten to fifteen years, when the combatant nations have restored their productive plants. Germany, for example, did not attain her pre-war slaughter of hogs until 1928. Russia did not match her pre-war cotton production until 1930, nor her pre-war wheat crop until 1935. France did not match her 1913 wheat crop until 1929. Germany did not attain her 1913 rye production until 1930. Italy did not match her 1913 corn yield until 1925. Because of the territorial changes affected in the treaties of 1919-1923, accurate national comparisons in the Balkan countries are impossible; but for the area as a whole the

same story of a fourteen-year rehabilitation period is told in scattered trade surveys and shipping statistics.

Under a brilliantly planned and perfectly managed world economy, the post-war rehabilitation in the devastated countries would have been matched, bushel for bushel and pound for pound, by an equivalent contraction of the abnormal export production in the emergency supply countries (United States, Canada, Australia, and the Argentine). But such, alas, was not the way of our even then well-professored world in the decade 1919-1929. Instead, as the old production was restored in Europe, the hastily stimulated war-time export production elsewhere fought for its life. World surpluses began to pile up. Next came a choking system of European tariffs, embargoes, and quotas, to protect domestic prices and conserve foreign exchange. Managed economy directed by dictators spread throughout the whole of Europe, then to Asia, next to Latin America.

Wheat illustrates well the curve of this economic cycle of war. Average world production for the three years 1911-1914 was 3.8-billion bushels. The average for the five years 1919-1923 was 3.4-billion, and for the five years 1923-1928, 4.1-billion bushels. Here, under a cosmic Tugwell, wheat expansion would have stopped. Considering the increase in population, this level of production represented roughly the long-time normal.

But by this time dictator economics abroad and legislative farm-blocs at home had become entrenched. In defense against Europe's quotas, governmental price-fixing programs for grains were launched in the United States, Canada, and Australia. Concurrently, the burden of international war debts, the resultant exchange difficulties, and the inevitable spread-

ing system of import controls established by the bankrupt debtor nations, intensified the impulse the world around for national self-sufficiency.

Thus, in the face of steadily shrinking export demand, wheat production continued to expand to an annual world average of 4.6-billion bushels for the period 1928-1932. At the beginning of 1933 there were approximately 800-million bushels of accumulated *surplus* wheat in the granaries of the world, some of it three crops old. (United States wheat consumption averages about 600-million bushels a year.) And this staggering world surplus of wheat coincided with very nearly a full year's *world* supply of cotton in the combined international carry-over from 1932. The impenetrable world complex of price-controls and monetary manipulation had frustrated for ten years the normal corrective and balancing influences of free markets.

Three secondary factors which aggravated the American price equation during this period usually are neglected in political discussion. First, the steady decrease in farm horses and mules in the period 1900-1925 wiped out domestic demand for the productivity of approximately 30-million acres of land; second, our changing food habits reduced the per-capita consumption of cereals from 350 pounds in 1900 to 230 in 1930; third, improved milling processes increased the flour yield from American wheat by about four per cent. All three of these minor factors combined with the world equation to influence American farm prices downward; and this in the face of vastly increased farm taxes imposed by the incessant broadening of governmental functions, local, state, and federal.

At 1929-1932, all these festering post-war dislocations, ag-

gravated by exchange difficulties flowing from the war debts and a fantastic inflation in the American stock markets, conspired to precipitate a world crash approximately commensurate with the scope of destruction and economic demoralization in the war. The most destructive and widespread war in history was followed by the most consuming deflation. Nor is there any compensation to victims of the disaster in the consideration that the bubble burst precisely on schedule, as determined in the classical economic cycle of war-and-peace booms. It was no New Era at all, but only the same old era, in which the ultimate bill for war always is presented fifteen to twenty years after the "controlled" war-time inflation. Here the American farm situation stood when government policy finally was directed, in 1933, to the ancient panaceas of monetary manipulation, crop destruction, and production control, each of which, historically, entails inevitably its own peculiar disaster of retribution.

It is impossible to appraise the successive hysterical farm programs of the New Deal as economic policies. Economically they do not hang together. At root each was essentially a political policy calculated, not primarily to ameliorate grave economic maladjustments, but to appease the organized volubility of some considerable bloc of voters. Between 1933 and 1937, for example, the Roosevelt-Wallace programs disbursed roundly $1.8-billions for crop destruction, livestock slaughter, acreage reduction, and other schemes of curtailment; but during the same period various federal agencies allocated $2.3-billions for new irrigation, drainage, conservation, and reclamation projects—to bring vast new areas into productivity. Army engineers estimated that all these

new dams and irrigation projects would bring into fertility more than 5-million acres of arid land not previously under cultivation. Such lands yield on average about three times the marketable crop of ordinary non-irrigated acreage.

Nor is that all. When this tremendous expansion of irrigation and reclamation began in 1934, the Department of Agriculture reported for the nine "irrigation states" a total of 50,540,000 watered acres available for crops, only 29,-564,041 acres of which (58.4 per cent) then were under cultivation. Thus, New Deal irrigation under PWA and WPA began with 20-million irrigated acres idle, and with AAA doling out more than $500-million a year in a campaign to withdraw 50-million planted acres from cultivation! Here we have a figurative balloonist throwing out all his ballast for a quick ascent, and at the same time slashing his gas bag with a dagger. Today we see him rising and falling in the farm surplus stratosphere at the same instant—and by approximately the same distance per dollar.

Next came the imports. Off in a rush to wipe out domestic surpluses, AAA, in little less than three years contracted 36-million acres out of production and destroyed 6-million hogs, 1,307,000 cattle, 2,191,000 sheep and 248,347 goats. These operations ran up American prices sharply for a time, and thereby curtailed both exports and domestic demand. New surpluses already had begun to accumulate when three successive droughts in 1934-1936 intervened to save the whole experiment from collapse.

Concurrently, the reciprocal trade treaties were being put into effect, lowering tariffs on virtually all farm products. There followed a sharp increase in competitive farm imports. For the year 1937 our competitive agricultural imports

aggregated the equivalent production of 17-million American acres, an area equal to half the harvested acreage of Illinois. Included in these imports were live cattle, dressed beef, pork and hams, butter, corn, wheat, rye, flax seed, corn molasses, cottonseed oil, and animal tallows. In a word, all these extravagant New Deal programs took 36-million acres out of production and slaughtered nearly 10-million head of livestock. At the same time, they brought into new domestic production 15-million equivalent acres, and absorbed the imports of 17-million additional acres abroad. If it was an economic policy, its principal objective apparently was to plow under the Treasury of the United States.

But the record establishes it was mostly politics. The official AAA report for 1934 discloses distribution of $19,460,000 in benefit payments during July; $46,715,000 for August, $50,783,000 in September, and $76,103,000 during October, the last full month before the November congressional elections.

In the 1936 presidential campaign, aggregate agricultural payments since 1933 were compiled by counties, and each county's itemization of federal manna mimeographed by the National Emergency Council for the local press, also in October. It was this record which inspired the observation of Washington columnist Paul Mallon, that "the greatest emergency ever faced by the National Emergency Council was the presidential campaign of 1936."

By 1938 the check distribution plan had been perfected to the point that in several hundred pivotal agricultural counties the benefit payments were made in the courthouse at the county seat on the last Saturday preceding election day.

Another suggestion of political manipulation was found

in the relative distribution of benefit payments. Six New England States, for example, paid processing taxes of $5.58 per capita for the three-year period. In return, these states received thirty-three cents per capita in farm benefit payments. On the other hand, six favored states of the Solid South paid per capita processing taxes of $3.33 and received per capita farm benefit payments of $17.26.

Total benefit payments in Maine were $6,065, but administrative expenses officially reported for Maine over the three-year period were $81,593—or $13.50 for administrative bureaucracy covering every dollar actually given a Maine farmer.

All this political jobbery was tolerated for a time because the people had been promised that federal agricultural management would raise prices on farm products. Was that objective accomplished? The AAA law was enacted in May, 1933, and its operations began to be reflected in prices by October. At the peak of the harvest season five years later, the price of every principal controlled crop was below the October, 1933, base! In October, 1933, wheat was eighty-four cents a bushel; in September, 1938, sixty-four cents. In the same interval cotton dropped from 9.16 cents a pound to 8.25 cents. The combined index of all grain crops dropped from seventy-eight per cent of the 1923-1925 average in October, 1933, to seventy-seven per cent in September, 1938.

Meanwhile, an official survey by the Department of Agriculture, in 1936, had discovered that the withdrawal of 15-million acres from cotton production throughout the South had deprived more than a million people in towns and villages of their regular employment. For the most part, these liquidated producers and workers were transferred to the

WPA relief rolls. It is interesting to note in passing that this official departmental finding was deleted from the report as published, and to this day never has been released to the press. Perhaps it is asking too much to demand the routine publication of administrative accomplishments which do not square with the master charts in Washington. Nevertheless the nation cannot blink the fact that in this instance federal subsidies of one sort removed a million persons from their livelihood, and then sustained them with federal subsidies of another sort. In at least this one instance we have the official record of one spending bureaucracy making work to justify the extended existence of another spending bureaucracy—the right hand of government creating unemployment for the left hand to relieve.

The invalidation of AAA by the Supreme Court on January 6, 1936, merely changed the name of the subsidy payments. The new Soil Conservation Act took over the AAA machinery intact, and there was no essential change in administrative arrangement, save that processing taxes no longer were collected. Program compliance thenceforth was enforced by executive regulations making seed loans contingent upon conformity to the regional soil conservation plan.

Retarded industrial recovery, increasing agricultural imports, and rapidly developing new acreage from irrigation projects continued to twist the tail of managed economy from year to year, and by 1937 other drastic measures were required to bolster farm prices. Here entered the system of general food distribution through the relief agencies. And two years were to pass before the national planners discovered that imports alone were more than offsetting their surplus commodity purchases in the domestic markets. Department offi-

cers testified before the House Ways and Means Committee in February, 1940, that during the fiscal years 1938 and 1939 total purchases of surplus commodities in twenty-five agricultural items were $30,479,112; but during the same period imports of these twenty-five items were $92,298,000. Here, then, is another nice problem in bureaucratic algebra: How long will it take to clean up a domestic surplus by importing foods at the rate of three dollars to one dollar against emergency distributions to the needy? So another experiment in abundance leaned back heavily upon the Treasury deficit, and another brain-trust theory fell back into the inkpot.

The roaring maelstrom of confusion and conflict within the Department of Agriculture after five years of such experimentation was illustrated by an incident of October, 1938. Secretary Wallace had assembled some 5,000 Corn Belt administrators and quota men at Springfield, Illinois, for the purpose of explaining the new two-price system for surplus commodity distribution. Something new and drastic was demanded as an approach to the growing farm surpluses, he explained. As the assemblage adjourned, the evening papers headlined a food resources survey from the Department of Agriculture, in Washington, which concluded on the note that abundant farm production, assuming an adequate diet for everybody, would require the entire crop of two more states the size of Iowa.

Through it all, bureaucratic farm management has been plagued by the weather. Hardly had the original AAA curtailment program been written into individual contracts than an emergency executive order proclaimed a drought and the temporary end of the 1933 scarcity campaign. From July, 1934, farmers were implored to turn their abandoned acres

to emergency feed and forage crops. An official report on the 1933-1934 program, published some fifteen months after the crisis, explained that during the last half of 1934 roundly eighty per cent of the land abandoned under the 1933 contracts had been replanted during the same season to other "permitted crops." Said the official AAA report on this point for 1934:

> "Estimates indicate that under the adjustment programs 47.1 per cent of the contracted acreage was devoted to new seedings of meadow and pasture crops, annual hay crops, and other erosion-preventing and soil-improving crops; 29.8 per cent to feed crops for home use; 15.6 per cent was fallowed; 2 per cent was used for miscellaneous purposes . . . and *only 5.4 per cent was idle*."

Despite these heroic measures to cope with the 1934 drought, seven months after the first acreage abandonment contracts had been signed, it was necessary to issue a second executive order, in December, 1934, authorizing the duty-free importation of 300,000 tons of hay from Canada. On tens of thousands of farms, it was necessary to extend emergency government seed loans in the summer of 1934 to assure a planting on the very acres abandoned or plowed under by government contract five to eight months earlier. Here was national planning in all its blinding glory. The 1936 drought brought re-enactment of this entire performance. In each case, the government paid farmers to curtail production and then, with the onset of drought, loaned emergency funds with which to replant the abandoned areas.

How did it come about that mighty America ever got into

such a tangle of agricultural dislocation and reckless experimentation? The answer, I think, may be found in the radio broadcast of Edward A. O'Neill, then president of the American Farm Bureau Federation, on March 30, 1933, tracing the hour-by-hour deliberations which brought AAA into the world:

> "At the conference called by Secretary Wallace on March 10, attended by thirty-four farm leaders representing practically every national farm organization in the United States, views were frankly exchanged in an effort to work out an effective program. A committee was appointed, made up entirely of farm leaders, and *within two hours* it came back with a definite program, which, after discussion, was agreed upon by the group.
>
> "This statement of principles was presented first to Assistant Secretary Tugwell, and then to Secretary Wallace, both of whom approved it. They told us they would henceforth call this program 'their baby,' thus assuming full responsibility. On the next day, this program was presented to President Roosevelt by a committee led by Secretary Wallace, of which I was a member. The Department of Agriculture promptly drafted a bill which carried out these principles and submitted it to the President for his approval. We farm leaders were called in by Secretary Wallace and Assistant Secretary Tugwell to go over the bill, and we gave it our approval. President Roosevelt then promptly forwarded the bill to Congress with a brief message urging its early enactment."

In that message, President Roosevelt acknowledged Mr. O'Neill's two-hour egg to be a venture along "a new and untrod path." But he added the strong promise, "If a fair

administrative trial of it is made and it does not produce the hoped for results, I shall be the first to acknowledge it and advise you." When the Supreme Court so advised Congress, the New Deal's answer was, "Destroy the Court!"

Since 1933 the Department of Agriculture has set up 5,000 county production control associations, embracing 115,000 compliance committeemen. Dominated by some 10,000 professional political farmers throughout the states, these agents of parity make up a political organization which has proved its mettle by pouring down as many as 2,000 telegrams in a single day upon the head of one Member of the United States Senate who dared speak out for an audit of the New Deal's financial profligacy in agriculture. This is administrative bureaucracy gradually transforming itself into a political united front for Treasury raiding.

Through these county organizations, the Department of Agriculture also controls the voting on the so-called referenda applying production controls. On occasion these polls have been determined in support of the Department's prior decision with as few as three per cent of the whole number of producers voting on a given crop control.

The compliance committees likewise dominate the monthly meetings of the county farm groups, often presenting for consideration formal resolutions endorsing the current or projected Washington program. Records of the House appropriations hearings for 1936 and 1939 carry testimony that in some instances the supporting resolutions thus adopted in the county meetings actually had been framed in Washington and transmitted to the Department's agents in the several states for redistribution to the compliance committees.

A spontaneous letter from an Illinois farmer to his local

newspaper is so pointed in its honest appraisal of managed agriculture that I offer it as possibly a constructive approach to the whole problem today. Wrote, Mr. C. B. Coleman, a dirt farmer of New Windsor, Illinois: "The salaried hierarchy which lives upon us in national, state, and local governments, also the salaried investigators, relievers, boards, bureaus, and departments are a great menace. It has come to this point, namely, that when existing agencies and bureaus fail to relieve us a new one is established and all the old ones retained. I challenge the whole list of statements our agricultural workers make about price control, co-operation, and organization. To them I say, if organization will turn the trick, the millennium should be in sight. We are organized to death!"

Unaided by the toil and struggle of dirt farmers, bureaucracy cannot grow a bean. The solution before America today is to take back her farms from the butterfingers of bureaucracy and turn them over once more to farmers.

A reduction of twenty-five per cent in every farmer's ultimate tax bill over a period of two years would contribute more solidly to agricultural prosperity than all the programs which have been suggested or adopted, combined, over the last eight years. Coupled with genuine industrial recovery, such a program easily might signal the beginning of a long period of sustained improvement in the national living standard, reaching to all the people.

But we must not expect such a program from entrenched bureaucracy. When bureaucracy begins to reduce taxes it cuts its own jugular vein. If I read the record aright, political hara-kiri is to be the last experiment.

"I know men and women without the ability to keep their own household accounts in order who have no hesitancy in tackling the godlike bookkeeping of human destiny."

—EUGENE LYONS

CHAPTER EIGHT

Federal Fellow-Travelers

IT IS difficult to say precisely where Communism begins in Washington, for the first command of loyalty upon an active Communist Party affiliate in the United States is to deny membership. The public record discloses, however, that activities distinctly flavored by the philosophy and methods of Communism boil to the top of the national news cauldron nowadays in arresting frequency. Unquestionably this is explained in part by the fact that a select committee of the House of Representatives has identified members of recognized Communist affiliates in at least eighteen agencies of the federal establishment. This committee, under the leadership of Congressman Martin Dies, of Texas, began its work in May, 1938. Part of the 9,000 pages of testimony assembled by January, 1940, was a list of 563 federal employees identified as members, contributors to, or supporters of, various "fellow-traveler" organizations. In the committee documents these active federal fellow-travelers were identified as em-

ployees in the Securities and Exchange Commission, Works Progress Administration, Social Security Board, Rural Electrification Administration, Library of Congress, Department of Commerce, Department of the Interior, Federal Housing Administration, National Youth Administration, Interstate Commerce Commission, Federal Trade Commission, Federal Power Commission, Department of Agriculture, National Labor Relations Board, Department of Labor, and the Farm Credit Administration.

At one point in its report the Dies Committee declared that Communism "has penetrated the government itself, with the result that some Communists hold key positions in federal agencies and projects." At another point, the report set forth that "the Committee did not have the time nor money to investigate fully Communist activities in the National Labor Relations Board." At a third point, the report said: "We are convinced that a rather large number of the employees of the Federal Theater Project are either members of the Communist Party or are sympathetic with the Communist Party. . . . The evidence is very clear that certain employees carried on Communist activities openly in the Federal Writers' Project."

Concerning the WPA series of State Historical Guides, the Dies Committee reported: "The testimony of some of the employees of the Washington Office of the Federal Writers' Project indicates that certain officials were aiding and abetting the plan to use the State Guides as vehicles for class-hatred propaganda. It must be remembered that these officials were very close to the administration of the Federal Writers' Project; and that they testified with reference to conversations which they had heard, and produced copies of letters from official files."

On one occasion the Dies Committee received in evidence a copy of a book styled *People's Front,* by Earl Browder, Secretary of the Communist Party of America. The book was autographed by 103 members of a Federal Writers' Project. Six of the signatures were those of persons engaged as administrators or supervisors of the project, which employed three hundred men and women. "It is, therefore, astonishing to find that one-third of the total number of writers employed by the government in this project were admitted Communists," the Committee's report said.

On March 25, 1940, the Committee received evidence that the State Educational Director for WPA in Pennsylvania had sometime previously been a candidate for Governor of Virginia on the Communist ticket. The WPA County Educational Director for Pittsburgh also was identified as an active Communist. A member of the Pittsburgh WPA teaching corps testified he had spent four years as a staff member of the International Communist League in Moscow, and later had edited a Communist paper in Nanking, before taking up his WPA educational work in 1936. Another active member of the Communist Party had been employed as Area Supervisor for Pittsburgh in the 1940 Federal Census. To Washington observers these documented revelations of 1940 gave substance to a newspaper survey of Civil Service records during the summer of 1936, which had culminated in the public charge that in the Capital alone "there are more than 2,500 known Communist Party members drawing government pay checks."

On May 26, 1938, Congressman John O'Connor, of New York, chairman of the powerful Committee on Rules and Order of Business, exhibited on the floor of the House a

screaming banner headline in the New York *Herald-Tribune* which read: "O'Connor First on the Blacklist of Communists in America."

"Some reference was made here today to me personally," he explained, "and about the Communists picketing my home last night. This is not unusual. It happens about once a month. Of course, under the law they have no right to picket my home, because I have no labor dispute with anybody; but so powerful is this group with high government officials that the police are forbidden to enforce the laws."

Representative O'Connor then related the threat of Communist leaders in his Congressional District to place 3,000 house-to-house campaign workers in the field against him, continuing: "It is a sad commentary, but the fact is that some of our departments of government are replete with Communists. They have wormed their way in through diverse means—often, I regret to say, because of the leanings and the sympathies of the heads of some of our agencies. The people of our country do not generally know this, but they should, and as far as my feeble voice can carry they will know it, and at the appropriate time I shall name names.

"Even the heads of some of our departments are Communists or have similar leanings. For instance, the head of one of the greatest governmental departments was a registered Socialist in New York City. He will not deny that. . . . If any gentleman thinks this radical, un-American movement has not grown during these last few years, and sometimes by encouragement from high places, then he has not looked around and observed the obvious facts."

Apparently Mr. O'Connor's fears concerning the Communist campaign against him were well founded. In the Six-

teenth Congressional District of Manhattan he had been elected in 1936 by a majority of 15,300. Placed on the White House "purge" list in the 1938 campaign, principally for his leadership in the fight against the Government Reorganization bill, O'Connor later was marked for defeat by Labor's Non-Partisan League. In November he was defeated by a margin of 2,500 votes. He had served in the House for sixteen years.

When the Dies Committee made public its list of identified Communist sympathizers in government, its work was denounced vehemently by President Roosevelt in a press conference. The President denied pointedly the implication that Communism was tolerated in the federal departments. He characterized the action of the Committee in publishing the list as "cheap" and "sordid." So heated was the President's assault upon the Committee, that Chairman Dies felt called upon to reply. He did so over a national network, repeating and elaborating every count of the Committee's report.

"I know that you will understand me when I say that I have been deeply grieved by the President's characterization of the procedures of our Committee as sordid," Mr. Dies said. "I have not sought and will not now enter into controversy with the Chief Executive of my government, neither will I say that my wisdom and judgment are superior to his. But I do know that the federal government has Communists in key positions. And nothing will deter me from exposing them to the people. I know, furthermore, that there are hundreds, yes, thousands of members of Communist-controlled organizations scattered throughout the departments and agencies of our federal government, and nothing will deter me from apprising the American people of this fact.

"When a list of leaders of the German-American Bund was made public by our Committee, there was no charge of sordid procedures. When a mailing list of William Dudley Pelley's Silver Shirts was spread upon the record, there was no charge of sordid procedures. Why then this fury of attack upon the procedures of our Committee when the membership of more than five hundred officials and employees of the federal government in the Communist-controlled American League for Peace and Democracy is disclosed to the American people?

"Can it be true that some of the names on that membership list were too big for release to the public? Can it be true that anyone wants the American people kept in the dark with respect to the connections, innocent or otherwise, of high-salaried executives with organizations which the Communist Party has set up for purposes that are utterly un-American? You, the American people, pay the salaries of these government employees. You are entitled to know such facts about their connections with a Communist-controlled front as we are able to bring to light. . . .

"During the present year, one of the vice-chairmen of the American League for Peace and Democracy resigned his position in this Communist-front organization in order to accept an appointment by the Administration as Secretary of the Virgin Islands. For years this man served with Earl Browder as co-chairman of the American League for Peace and Democracy."

It has been the custom for many years in Washington for congressional investigating committees to borrow temporary staff personnel from the various departments which have to do with the subject under inquiry. When the Dies Committee

began its inquiries several requests were made for staff assistance from the Department of Justice, then from WPA, finally from the Treasury Secret Service. In each case the Executive Branch refused to lend personnel assistance to the investigation. Chairman Dies noted these repeated refusals of assistance in one of his interim reports, but did not undertake to interpret the fact. In the press, however, the refusal to assist the inquiry was interpreted widely as an effort to smother the committee's disclosures of Communist-front affiliates within the federal establishment.

The united effort of some fifty patriotic societies to force the deportation of Harry R. Bridges, Pacific Coast President of the International Longshoremen's Association, on charges of Communistic activities and affiliations has been a *cause célèbre* since 1934. Bridges is an alien. Although he has been in the United States since April 12, 1920, he has never become a citizen. Repeated refusal of Secretary Frances Perkins to execute the deportation order led at length to the introduction of a resolution of impeachment in the House on January 24, 1939.

The core of Bridges' political philosophy was presented in his address before a student forum at the University of Washington, Seattle, on May 14, 1937, in these words: "Our policy is one of class struggle. Our policy is that we have nothing in common with employers. There will come a time when there aren't any employing class any more, and we subscribe and look forward to that day."

But in the view of Secretary Perkins, there was still room for doubt whether Bridges was a Communist. The deportation docket remained pigeonholed in the Labor Department. In February, 1938, the Senate Committee on Merchant Ma-

rine began an investigation of Miss Perkins' handling of the case. Among other evidence this committee received a photostatic copy of Bridges' membership card in the Communist Party, which was turned over to the Labor Department. Still nothing happened.

In August, 1938, the Dies Committee took up the inquiry. It called upon the Labor Department for the Bridges file as transmitted by the Senate Merchant Marine Committee. When, in due course, the papers came back from the Labor Department the photostat of Harry Bridges' membership card in the Communist Party was no longer a part of the record. It was never found.

Reviewing a series of inexplicable incidents in the case, Congressman Dies was moved to the formal official statement on October 29, 1938: "The Labor Department files reveal a strong bias on the part of Madam Perkins and the Department of Labor in favor of Harry Bridges, and an effort on their part to protect rather than deport him."

When Judiciary Committee action on the impeachment resolution appeared imminent, Secretary Perkins, in July, 1939, commissioned a special referee to review the case. His report, comprising 152 printed pages, concluded with the sentence: "The evidence, therefore, establishes neither that Harry R. Bridges is a member of nor affiliated with the Communist Party of the United States of America." There the case rested until June 13, 1940, when the House, by a vote of 342 to 30, passed a resolution demanding the immediate deportation of Bridges. The Administration forces in the Senate resisted this measure by every parliamentary maneuver.

Early in 1940, as a result of disclosures before the Dies

Committee, Congress enacted a law making mandatory the deportation of aliens discovered in acts of espionage or sabotage, "and other subversive aliens." This measure was vetoed by President Roosevelt on April 8.

During a CIO strike against Republic Steel Company in 1937, Governor Martin L. Davey, of Ohio, declared publicly he had received by telephone from Secretary Perkins a suggestion that he subpoena two Republic officials to Columbus and hold them "until they signed an agreement." The Governor's charge was an instant national sensation. "Secretary Perkins' suggestion would be, in my judgment, the exercise of the most autocratic and dictatorial power ever attempted," Governor Davey's statement said. "In private life it would be kidnapping. Until the courts have decided that the companies have to sign contracts or agreements, I have no right to take anyone and hold him. That might be all right in Germany or Italy."

Secretary Perkins was not available immediately to newspapermen in Washington. Through the press section of the Department, however, a statement was issued to the effect that the purpose and intent of the Secretary's suggestion to the Governor had been misconstrued.

In August, 1939, when a CIO strike delayed important equipment required for the national defense program, Secretary Perkins undertook to negotiate a "gentleman's agreement" which would permit urgent military shipments. In this instance the CIO picket line had not only stopped production of airplane bearings and castings for both the Army and Navy, but also had forbidden the shipment of completed parts actually packaged before the strike call.

The case later was the subject of an extended official in-

quiry. The strike began August 29 and work was resumed on October 8—a delay of forty-one days.

The official Navy report cites that when the strike began one of the company's plants was engaged on "special bearings for aircraft engines." Another plant "was engaged in the manufacture of castings for airplane engines in process of manufacture at the Navy Aircraft Factory, Navy Yard, Philadelphia, Pennsylvania; also castings for a manufacturer with whom the Navy has a contract for a special type of marine engine."

When the strike began, the Navy sought permission to ship parts already completed. This permission was denied by the CIO leaders. On this point, the Navy report reads: "The delivery of completed castings, bearings, and parts, also those in process of manufacture, was delayed for the duration of the strike."

Failing to obtain CIO permission to ship parts already completed, the Navy next asked permission to ship its own secret dies and patterns to another plant, to avoid closing down distant production lines on both aircraft and marine equipment. The Navy report on this point also is illuminating. Secretary Edison informed the House Committee on Naval Affairs:

> "On September 28, 1939, the United States Navy resident inspector of naval material at Detroit, Michigan, informed the regional director of the United Automobile Workers, Congress of Industrial Organizations, Detroit, Michigan, of the seriousness of the delay in the delivery of the material due on contracts, also the urgent need of the shipment of patterns, and requested that he instruct his representative in charge of the picket line at the cor-

poration's plant No. 2 to allow a representative to pass through the picket line to pick up Government-owned patterns and ship them on a Government bill of lading.

"The regional director of the United Automobile Workers, Congress of Industrial Organizations, sent three representatives of union local, No. 208, to discuss the removal of the patterns with the inspector of naval material. The representatives of union local, No. 208, were given full access to the files of the Navy contracts and they were informed that the delay in releasing patterns for delivery was seriously jeopardizing the manufacture of airplane engines at the naval aircraft factory. At the end of the discussion the union representatives stated that as the strike situation stood at the present time their answer was emphatically 'No' and that they would not let patterns or inspected castings be removed. No further action was taken by the Navy Department to remove the patterns and castings."

This experience of 1939 illuminates the charge made public two years earlier by Admiral William D. Leahy, then Chief of Naval Operations, that strikes were delaying the whole naval building program. Here is a segment of Admiral Leahy's report to Congress, published November 8, 1937:

"Fifty-three destroyers, Nos. 356-408, inclusive, have been under construction. Of these the *Drayton* and *Lamson* have joined the fleet. Twenty-three (23) of these vessels have been delayed in joining the fleet by strikes, late delivery of material, and necessary changes during construction."

Five weeks after publication of Admiral Leahy's report, Governor Frank Murphy of Michigan, on December 14, 1937, appointed Richard T. Frankensteen to be a member of

the Michigan Emergency Welfare Relief Commission. At that time, Frankensteen was Assistant National President of the CIO.

By a mere coincidence, presumably, Frankensteen was one of the CIO officers with whom the Navy representatives conferred in Detroit in September, 1939, when they were denied permission to remove the government's own dies and patterns from the struck plant. At this point Governor Murphy had been advanced to Mr. Roosevelt's Cabinet, as Attorney General, and soon was to be nominated an associate justice of the Supreme Court.

In two separate congressional inquiries, CIO interference with national defense supply has been linked with the testimony of Earl Browder before a committee of the New York Legislature on June 29, 1938. On that occasion, Browder testified that "the form of the CIO organization is more fitted to the organization of labor, from the Communist viewpoint, than any other here."

Testifying before a House committee in Washington on July 12, 1934, Browder explained there could be no conflict between the policies of American Communism and those of Moscow, because "the leadership of the Party in the United States is in agreement with the actions taken by the Communist Internationale."

When speaking beyond the confines of their intimate administrative circles, New Dealers never refer to their objectives as revolutionary. For general public consumption, they seek merely to "streamline democracy." This oblique oratorical approach to the bald doctrines of revolution traces back to the inspiration and leadership of Professor Rexford G. Tugwell, who was one of the original New Deal "Brain

Trust" in the 1932 campaign and later became Under-Secretary of Agriculture. Tugwell's approach to the problems of government often was incendiary. "How deep are the sources of your indignation?" he asked an audience in Los Angeles, October 28, 1935. "Do they lie on the surface, and are they at the command of those who would have you turn against the national government which has invaded the modern strongholds of privilege? Or do they lie deeper so that your wrath may sustain a genuine reconstruction of American life?" At another point in the same speech, Tugwell said: "What I have to say to you, therefore, is of this sort; we must draw together, nursing the sources of that anger which has driven us forward. . . . Our best strategy is to surge forward with the workers and the farmers of this nation, committed to general achievements, but trusting the genius of our leader for the disposition of our forces and the timing of our attacks. I do not need to remind you of his genius for this task, nor of his devotion to the cause of overthrowing industrial autocracy and the creation of the democratic discipline."

Approximately the same philosophical pattern guides Thomas G. Corcoran, the Poo Bah of the White House Inner Circle. Because of his influence in drafting legislation for Congress and timing major political stratagems of the New Deal, Corcoran is familiarly known in Washington as the "President of the Georgetown Cabinet."

"We know that a revolution is actually here," Corcoran told an interviewer in August, 1937. "All we can hope to do is canalize it. Our whole conception of private property is going to be changed; and all we can hope to do is help it to come about gently, without any general blow up."

Late in 1939, when the Temporary National Economic

Committee began an investigation of life-insurance companies, a veteran insurance officer asked Mr. Corcoran what the inquiry sought. Tommy, the Cork, as the President affectionately calls him, responded curtly, "When we get through with you fellows, this business will be run by the government."

Corcoran and his legal specialist, Benjamin V. Cohen, have drafted most of the major laws enacted under the New Deal. From time to time they have had the assistance of Jerome N. Frank, Chairman of the SEC; Adolf A. Berle, Jr., Assistant Secretary of State; and Mordecai Ezekiel, economic adviser in the Department of Agriculture. Reflecting upon the far-flung powers and activities of these and minor inner-circle advisers of the White House, Raymond Moley, as editor of *News Week,* described them on October 11, 1937, as "a group of zealots who dog the President's heels in Washington, always pressing him to make more and more inflammatory declarations of class warfare."

Before WPA was a year old, Communism was organizing actively in its ranks. The fellow-traveler organization set up for this particular activity was the Workers' Alliance of America, with David Lasser as president. Testifying before the House Committee investigating WPA administration on April 17, 1939, Lasser said his organization had 280,482 members in 1,521 city and county "locals." Initiation fees were fifteen cents to a dollar, and monthly dues the same, depending upon the relief earnings of the applicant.

"Have you ever attended any conventions or meetings in Russia?" questioned Committee Counsel J. O'Connor Roberts.

"In Russia?" responded the Grand Marshal of WPA Com-

munism. "I was invited to be a delegate to the twentieth anniversary of the Russian Revolution. This was issued at the invitation of the Soviet trade unions, I believe, and I went over there as a delegate to look around. There were delegates from thirty countries representing the trade-union movements and other groups."

"Who paid your expenses, Mr. Lasser?"

"My organization."

"What organization?"

"The Workers' Alliance of America."

The trip was not limited to the Moscow celebration, however. Lasser continued: "I made a tour of Spain, where quite a number of members of the Workers' Alliance were fighting in the loyalist armies. That was the primary purpose of my going. It was decided upon by the 1937 convention of the organization. I was also invited by the Unemployed Movement of England to speak before them, and by the Unemployed Movement of France to meet with them. The trip to the Soviet Union was an additional thing that was taken on."

"Did you make any report to the Workers' Alliance when you returned to America?"

"I made a verbal report to our national board; and at the convention following that I made also a report, but I should say that my report did not deal with the Soviet Union."

Shown an article in the Communist *Daily Worker*, of New York, Lasser identified the item as one written by himself and published under his name. "If I remember this correctly," he explained, "this appears to be a call that we printed for the march we had on Washington in 1937, and for the campaign for the Schwellenbach-Allen resolution."

(This resolution, which failed, sought to increase WPA appropriations by $500-million over the budget estimates.)

Lasser's article appeared on July 28, 1937. A single sentence fairly summarizes its content: "If we can succeed in stopping the reactionaries in their tracks by halting their wrecking of the works program, the fight against other reactionary measures, such as the attempt to defeat the President's Supreme Court reorganization plan, etc., can be halted."

On December 11, 1939, Mr. Lasser was by appointment a caller at the White House. An altercation had developed between the Governor of Ohio and the President over responsibility for relief conditions in Cleveland. After his conference with the Chief Executive, Lasser told the White House news corps he would organize a march on Columbus. Governor John W. Bricker immediately framed a telegram asking if Lasser would come into Ohio as the personal emissary of the President, and next day Congressman Dudley A. White, of Ohio, publicly characterized the White House conference as evidence of political co-operation between Lasser and the President. "Perhaps all of the blame does not rest on Lasser himself," Congressman White suggested. "Perhaps a large share must be borne by the Roosevelt Administration, which has coddled Communists in season and out, and which has made Lasser an always-welcome visitor at the White House." The march on Columbus was abandoned.

This incident occurred more than three years after Herbert Benjamin, General Secretary-Treasurer of the Workers' Alliance, had published his own account of the organization of that body in Washington during April, 1936. Benjamin's account, as it had appeared in the *Imprecor,* official organ of

the Communist Third International, was made a part of the record of the Dies Committee inquiry. "The merger," this article explained, "represented the successful culmination of a campaign conducted nearly four years by the Communist Party of the United States of America, and by the National Unemployed Councils, which were organized also by the Communist Party since the time of the crisis late in 1929. In accordance with the previously arrived at agreement, the United organization will be known as the Workers' Alliance of America."

Benjamin acknowledged before the WPA investigating committee that he had been an active member of the Communist Party for eighteen years.

In its final report on May 15, 1940, the House Committee dwelt at length upon "the influence of the Workers' Alliance over those in charge of the Writers' Project." (Hearings H.R. 130; Seventy-sixth Congress, 3rd Session, Part 3, pp. 74-75.) The report explained that three committee investigators had spent eight months in New York City, between June, 1939, and March, 1940.

"Reports have been received," the Committee summary reads, "that a man by the name of Donald Fairchild has been placed in charge of a subproject of the Writers' Project, assigned to preparation of a book tentatively entitled *Underneath New York,* dealing with the vast network of subterranean lines of communication, power, heat, light, water, and transport which are the very neurons, the life threads, of America's great metropolis; that he has associated with Communists and formerly was an assistant to Nick Wirth, admitted Communist formerly employed in the Writers' Project, and that said Fairchild had been placed on this

project upon the demand of the Workers' Alliance, which had threatened to place a picket line around the Writers' Project premises upon failure to so employ him."

Why should the Workers' Alliance be interested particularly in New York's underground communications labyrinth?

In his report to the tenth annual convention of the Communist Party of the United States of America, on May 28, 1938, Browder stressed the importance of co-operation with "the Democratic Front" in these words:

> "Several points of such a program have found expression in recent speeches of President Roosevelt, and some are formulated more or less adequately in measures adopted or before Congress, although it must be emphasized that Roosevelt's administration is far from realizing a rounded program, and even falters and fails on many points of its own pronouncements. The legislative platform adopted by the CIO and favored in whole or in part by most of the AFL, coincides with and fits into the conception of such a rounded program as we seek."

This faltering in the New Deal had been marked earlier by Professor Tugwell. He attributed it to want of an experimental habit of mind in Americans, and to the nation's deep emotional attachment to certain forms and instruments of social life. "An illustration of such feeling," he explained, "is the unreasoning, almost hysterical, attachment of certain Americans to the Constitution."

"We ought not spend money we haven't got for things we don't need."

—WILL ROGERS

CHAPTER NINE

Aunty Sam

THE mother instinct runs deep in government along the Potomac. The jelly-making department is called the Bureau of Home Economics, because it also tells how to hang lace curtains, how to cut sun suits for children, how long to roast a leg of lamb, and when to wash the children's teeth. Obviously no congressman dares raise a hand against appropriations demanded for such tender functions of federal maternalism.

Resisting the enactment of an earlier maternity-aid bill in 1927, scholarly William Cabell Bruce, of Maryland, warned the Senate that bureaucracy at last had "thrust its hand into the very womb of the states." To him it was a "source of the keenest grief" to watch Uncle Sam's manly trousers turn first to pantaloons, and then to an apron. "Now he comes along with an obstetrical forcep in one hand and a milk bottle in the other!"

Back in 1927, when the Constitution still was regarded widely as the people's law, governing with equal force the legislative, the judicial, and the executive branches, Senator

Bruce contended with apoplectic gestures before a crowded and attentive Senate that Washington had no vestige of authority to be supplying instructions on either infant care or the maintenance of vacuum cleaners. Learned men sustained him on all points of constitutional law, but the Committee on Appropriations authorized the funds, whereupon the Constitution gallantly made way for the lady.

Most of Aunty Sam's enterprises are illustrated. As a typical press release for Sunday papers explained: "The trousers worn by the little boy in the picture can be buttoned to an underwaist, as shown, with a matching or contrasting loose blouse over it. Or, when the weather becomes warm and the days invitingly sunshiny, the underwaist may be replaced by an open mesh sun suit top of cable net."

As a piece of department store advertising, this sales talk might have moved a lot of merchandise. But the great mother of all outdoors has nothing for sale. Her booklets are free. She seeks only to spread useful knowledge. "These trousers were designed by the Bureau of Home Economics of the U. S. Department of Agriculture for the very small child who is just learning to dress himself. It is suggested that until a child has become thoroughly familiar with the intricacies of buttons and buttonholes, all his trousers be made from the same pattern, with fastenings in the same place." A companion article carried a two-column illustration showing "how a set-in sleeve is basted into the armscye."

When today's taxpayers were children, mother, of course, looked after all trousers, blouses, and sleeves without so much as a free button from Washington. Although we may wonder how she ever learned to thread a needle without a *Homemaker's Bulletin,* we yet pause on Mothers' Day to acknowl-

edge that, all things considered, our trousers and sun suits generally were equal to the demands of the hour. Since the same cannot be said of today's tax payments into the Federal Treasury—the 1940 deficit was roundly $4-billion—it is fair to ask whether Aunty Sam ever can hope to become a really adequate and efficient mother.

But she will try until her knuckles bleed from scraping the bottom of the appropriations barrel. Her job never will be done until the last dollar is spent. She offers instructions on wallpaper, wood storage, ice-cream making. There are *Reindeer Recipes, Lamb As You Like It,* and *Eggs at Any Meal.* Her general index of vegetable food values covers 121 varieties, including amaranth, bamboo shoots, burdock, catjangpeas, garlic, mustard greens, crach, parsley, pigweed, taro, udo, witloof and yams. Through this work the citizen is apprised, for example, that the udo (*aralia cordata*) is composed of 95.4 per cent water, 1.3 per cent protein, 1.2 per cent fat, 1 per cent ash and 1.1 carbohydrate fiber—all of which probably will be invaluable dietetic information when the lexicographers get around to incorporating the word "udo" in their new dictionaries. Nor does the udo appear in the catalogue of one of our largest garden seed houses. This firm's entire stock offers but sixty-four different vegetables, against 121 scientifically appraised by the official housewives at Washington. Where did the other fifty-seven varieties come from? That's easy for the Bureau: "In the last three decades the American public has become familiar with a much greater variety of fresh vegetables. Plant explorers have brought new species and varieties from foreign countries, and improved marketing methods and transportation facilities have widened distribution. . . . Accordingly, an

added demand has arisen for data on the chemical composition and nutritive value of vegetables."

Because every sample of a given product contains a varying amount of each chemical element, the official table of averages was achieved "by the arithmetical-mean formula, probable error in each case being determined by the standard variation x 0.6745. . . . Protein was calculated as N x 6.25, the nitrogen being determined by the Kjeldahl method or one of its modifications. . . ." What housewife would think of trying to manage her kitchen for so much as a day without the aid of the standard variation x 0.6745? Udo shall be served!

In 1919 Home Economics began a study of fuel conservation in the kitchen range. As one phase of this inquiry gas consumption "in using a small oven over the burner for baking was compared with that of the usual range oven." The next year brought a pamphlet on *The Essentials of a Well Planned Kitchen.* In quick succession came studies in textiles, floor covering, refrigeration, and window curtaining. And soon the problem of kitchen efficiency was reached again.

> "The first problem confronting the Bureau in undertaking household production studies was to get information as to the present situations in various types of homes, for in spite of the importance of the work of the household, little information is available in regard to this phase of economic life.
>
> "A study is being made of the kind and amount of work now carried on by farm, village and city housewives, and the help which they receive from other members of the family and from paid workers.
>
> "The results of this study will indicate the extent to

which home makers are overworked or underworked in various types of homes and at various periods of the family's life.

"The Bureau also is engaged in determining efficient methods of work in connection with the tasks of preparing meals, dishwashing and other routine housework."

All this, as I understand the legal theorems of bureaucracy, comes under the General Welfare Clause of the Constitution. Other aspects of General Welfare are covered in pamphlets styled *Utilization of the Calcium in Spinach, Rice Polishings as a Source of Vitamin B, Bringing Up Bobby, The Use of the Metric System in Nutrition, Children's Rompers, Dresses for the Little Girl, How to Dress for a Sun Bath, Where Sheets Wear Out, Washing Clothes: A Problem in Temperatures, A Study of the Time Spent in the Care of Babies,* and *Vitamins in Relation to Salad Dressing.*

The Bureau also offers for free exhibition a set of forty-seven lantern slides on *First Aid in Window Curtaining,* and a set of fifty-two slides, *What Shall I Wear?*

How does the Bureau go about determining where bed sheets wear out? The official revelation runs:

"The sheets are in constant use in a Washington, D. C., hotel, where they are inspected daily by a member of the bureau staff. The first sign of breakage in any sheet made of good ordinary cotton occurred after it had been washed 102 times; the first breakage in any sheet of strict good middling cotton appeared after 123 washings, and in those of middling cotton after 137 washings. The type of break and its location on each sheet are recorded; then the sheet is repaired and returned to service."

The Principles of Window Curtaining explains that "curtains may be used to exclude an unpleasant view, to soften and diffuse the light coming through the window, or to frame an attractive outlook."

Three traveling exhibits are available for county fairs wishing demonstrations of children's clothing fashioned after official specifications. There are also three wax model exhibits of *A Dinner for a 4-Year-Old,* emphasizing equipment "to encourage independence in eating habits." *Aunt Sammy's Radio Recipes* "brings together four hundred of the most popular recipes and ninety of the menus included in the Housekeepers' Chats." It is a book of 146 pages, distributed by hundreds of thousands every year. Should America ever become a dictatorship, this would be the handbook of official gastronomy.

Sponsored by a neighborhood settlement-house manager in Boston, the idea of a Children's Bureau was first presented to Congress in 1906. The very practical Murray Crane introduced the bill in the Senate, after his office had been under feminine siege for three weeks. In 1909, President Theodore Roosevelt, after a similar siege at the White House, endorsed the enterprise by incidental mention in a message to Congress. Three years later the bill was passed. The Bureau was born with an initial appropriation of $25,640, and fifteen persons constituted the staff. By 1915 the appropriation was $164,640, and in 1919, $658,499. The total appropriation for 1924 was $1,528,652, and for 1941, $12,297,047.

So, too, did the Women's Bureau grow. It began in 1918 as an *emergency agency,* to assist in placing women in industry during the war-time shortage of man power. By an act of

June, 1920, it was established as a permanent bureau of the Department of Labor.

"There are physical differences which women understand," Congressman Philip Pitt Campbell, of Neosho, Kansas, explained on the floor of the House, "which make it not only wise but humane that women shall have charge of this sort of thing."

For 1918 the Women's Bureau appropriation was $40,000. In 1920 it went to $41,200, and the next year to $75,000. In 1923 it joined the $100,000-a-year group, that silk-stocking circle of bureaucracy which knows it has "arrived." The budget for the fiscal year 1941 was $153,650.

Although the Women's Bureau, Children's Bureau, and Bureau of Home Economics are recognized everywhere as our boldest attempts to institutionalize the maternal instinct, every major department of the government is carrying on lesser work of the same general character. Somewhere in his sphere every bureau chief eventually finds a particularly intimate problem of the farmer, the businessman or the worker which demands "federal aid." There is, for example, the motion picture released by the Bureau of Entomology, Department of Agriculture, *Why Moths Leave Home*. The film opens with a close-up of the villain, *Clothes Moth*. After depicting his history from the larvae to the pupae, the film suggests various protective methods for the home—brushing, sunning, sealed paper bags, cedar chests, fumigant sprays, and moth balls. Any woman in the land who does not know how to place moth balls in a storage chest may watch a detailed visual demonstration merely by sending to the Office of Motion Pictures, Department of Agriculture, for this one-reel educational film. It is free to all who will pay express

charges. This Department also offers an educational film on correct posture. Other intriguing titles in the government's film catalogue of mother love include *Let's Go to the Circus, Food Makes a Difference, Along the Firing Line: the Story of a Spark Plug, Making a Better Indiana,* and *Persimmon Harvesting and Storage in China.*

The Biological Survey will send you Bulletin No. 50, *How to Make a Cat Trap,* and the Bureau of Animal Industry offers a profound research demonstrating that "neither the shape of a hen's body nor the shape of her head bears any relation to her egg production."

Months of delicate measuring, weighing, counting, tabulating, and cross-indexing were required. To gather the data the investigators devised a trap-nest from which a hen, having deposited her egg, could not escape before her measurements and those of her product had been recorded. "Investigators measured the live birds, the dressed carcasses, and the bones of about four hundred trap-nested White Leghorns and Rhode Island Red hens. They could find no relationship between egg production or egg size and the shape of the hen's body. . . . Head and skull measurements revealed no factor—length, breadth, or depth of skull—associated with high capacity for egg production. The weight of the brain was not a criterion. . . ." So neither brains nor beauty are a controlling factor in the social hierarchy of the hen house, a discovery which at least suggests a democratic approach to the problem.

One of the Bureau of Standards' best sellers is *Washing, Cleaning and Polishing Materials.*

"The paper discusses the use of water in laundrying, pointing out the effect of impurities in water and means for

their removal. A description of the general composition of soap, soap manufacturing processes and the common varieties of soap products is followed by brief discussions of alkaline cleansers (including drain or waste pipe cleansers), bleaches, laundry sours, bluing, and starch.

"Discussions are also included on dry cleaning, dry cleaning solvents and soaps, stain removal. . . . Sections are devoted to automobile and furniture polishes, metal polish, floor wax and polish, glass polish, stove polish, shoe polish, polishing cloths, dust cloths, sweeping compounds, and wallpaper cleaner."

About mid-December every year the Department of Agriculture's radio section is devoted to a half-hour program, *Preparing the Modern Christmas Dinner.*

So, too, does the great heart of Aunty Sam go out to the winter tourists in Yosemite National Park, where the National Park Service has perfected the ultimate in winter camping equipment—electric camp stoves!

"These stoves have been found to be very popular in mild weather, sometimes as many as four different parties using one at the same time. This not alone provides a familiar cooking medium at a nominal rate, but also seems to promote a general good feeling among the campers, who find the stoves quite a topic for conversation."

How thrilling it must be for the Great Mother Government to see her babies play peacefully together around the electric camp stoves—which cost only $218.70 each.

Is the American citizen competent to manage without official advice from Washington, such commonplace affairs as repairs to his own home? Apparently not, for both the FHA and the USHA offer free booklets on home repairs. One

1940 edition listed 267 suggestions for improvement to all parts of the house.

"Unless a home has received recent alterations, the chances are that its comfort and convenience can be improved greatly . . . apply waterproofing to walls . . . increase window space . . . install fruit closets . . . install partitions to provide additional rooms or closets . . . remove partitions to afford additional space . . . install extra shower in basement . . . build pergola, trellises . . . improve radio aerial and connections."

Feed Cows Well, but as Cheaply as Possible is another gem of published advice, from the Bureau of the Dairy Industry. And if you have difficulty telling time, the Bureau of Standards offers a ten-cent creation to assist.

"The device employs two divided circles made of heavy cardboard, the smaller being mounted above the larger and free to turn. This smaller circle is divided into twenty-four hours, while the larger indicates longitude east and west of Greenwich with the names of the various countries at their appropriate positions. By setting the inner circle so that any given hour of the day comes opposite any given longitude, the time at any other longitude can be read off directly."

As a move to relieve bulging warehouses, the Cotton Bloc once authorized $25,000 for a compilation of "appropriate and acceptable Christmas gifts" made principally of cotton. The first item in the booklet was "airplanes—with long-wear fabric wings." More than 4,000 gifts were catalogued, from airplanes and aprons, to awnings, bean-bags, bibs, bird-cage covers, dish towels, flags, hot-water bottles of flannelette, mattresses, pot holders, powder puffs, rodeo ropes, tents, tarpaulins, and wash cloths.

When a surplus of kilowatts developed in the TVA dominions, that comprehensive Authority perfected an electric hay-drier for the one-mule farm. Manufacturing costs were estimated at $300 to $400 each, or only about half the average annual farm income in the TVA states. The machine could be operated, at TVA rates, for approximately $100 per year. When the item reached the floor of the House, the honorable Members were admonished: "The old copy book maxim taught us to make hay while the sun shines; but the New Order tells us to make hay by the yardstick."

The Rural Electrification Administration has an "electric circus." Manned by field officers, it toured Iowa from October 3 to November 10, 1938—a mobile side-show demonstrating every known electrical gadget from curling irons and waffle irons to incubators, bed warmers, night lights, and cream whippers. The tour ended two days after the general elections on November 8. "In every instance," REA Administrator Carmody told the Appropriations Committee, "considerable numbers of farm people attended these demonstrations who have not yet got electricity, but who are urging REA to do something about it in their immediate neighborhoods." The hearings disclosed that during the fiscal year 1938 REA held 1,066 meetings throughout the country, attended by 172,688 persons. Here we find our home-making bureaucracy systematically stimulating an overwhelming demand for its continued and expanded services.

Aunty Sam's instructions on interior decoration begin with the admonition that "in furnishing a home it is necessary to know in advance the space to be filled and the amount of money which may be employed for the purpose. . . . If it is possible to furnish all the rooms adequately with the funds

allotted, an ideal situation exists." And if the home should be blessed—assuming all rooms are adequately furnished—the next booklet to send for is the Children's Bureau guide, *Are You Training Your Child To Be Happy?* It deals with "nine important things for mothers and fathers to remember if they are to make a success of the job of being parents."

Motion pictures exploring the more intimate surgical techniques of maternal aid are called Federal Documentary Films. One of these, *The Fight for Life,* was banned by the Chicago police in June, 1940. Lieutenant Harry Costello of the Police Censor Board viewed this production of the Public Health Service with the first show of feeling he had demonstrated publicly since the machine guns of the Capone Syndicate barked across the precinct lines in the roaring Twenties. When the lights came on Lt. Costello gave his order in the old voice of iron: "Unfit for public exhibition!" He limited showings to audiences selected by the medical profession. Few communities were so fortunate.

Perhaps the most extravagant fling at national housekeeping was the Consumers' Council of the late NRA, an enterprise which inspired Brigadier General Hugh S. Johnson, "Old Iron Pants" himself, to don the matronly apron for a spell. Each of our 3,072 counties was assigned a full-time director "to receive price complaints, serve as information agency, express consumers' opinion on matters of public policy, aid in the orderly distribution of goods, and arouse interest in playgrounds, parks, schools, and cultural projects such as symphony orchestras." In addressing one of the Washington organization meetings in December, 1933, General Johnson predicted such a network of regional housewives soon would get the country on its feet. It was the full bloom

of motherhood bureaucracy—a federal superintendent of nose wiping in every county!

Somewhere between playgrounds and window curtains there is a line which separates the genuine social services of government from crackpot bureaucracy. Constructive public policy can be fixed only when that line is surveyed and sharply defined. Until that time, the budget will continue to be burdened with ever increasing expenditures for romper design and chicken measurements. The problem grows more pressing from year to year, and it is to be hoped that the solution must not await the reaction predicted by Senator Borah, who once hinted that "only an angry public opinion will check this wasteful and extravagant bureaucracy, whose very life blood is appropriations." Such a reaction inevitably would result in a blind uprooting of many proper functions. "But I venture to say," added Senator Borah, "that there is no remedy for these things unless the people, the voters themselves, place the subject on their agenda and call for an accounting in no uncertain terms."

True, America is, in a sense, just one big happy family. But Aunty Sam cannot make all the jelly. Something in the field of home-making well may be left to private enterprise, and to humanity's age-old instincts and aspirations for achievement, comfort, and a life of dignity and serenity. The building power of 130-million private ambitions ultimately will produce more than the United States Treasury ever could hope to pay for, even with rag money.

"The only true labor leader is the one who leads labor to work and to wages."
—HENRY FORD

CHAPTER TEN

A Decision on Hips

NO ONE ever can be sure how far a government investigation will go. The range of fact-finding power is limited only by the inquisitional energies of the bureaucrat who uses them, and the federal will to do often finds expression in large attention to very small details. The NRA was established to promote industrial recovery. It quickly put 5,800 people on the government pay roll, and the next the country heard, a Code of Fair Business Practices had been promulgated for the mop-stick and broom-handle industry!

Similarly, the National Labor Relations Board was established on July 5, 1935, to promote peaceful industrial relations, and two years later we find it holding stately and solemn hearings in an effort to place responsibility for a thin ham sandwich delivered to a hotel patron who had ordered his ham sliced thick. This celebrated case also involved the serving of a breakfast order of hot applesauce in the wrong type of dish.

These appalling evidences of breakdown in America's industrial relations came to light in an NLRB "examiner's

trial" involving a famous hotel in the city of Washington. A waiter had been dismissed on New Year's Day. The employer contended the dismissal followed persistent inattention to duty. The waiter, supported by his union, charged he had been dismissed because of organization activities, which brought the case before the Labor Board. The complaint against the hotel, as finally perfected by the NLRB, further charged that the waiter had delivered a breakfast with no butter on the tray.

In the Labor Board's trial, the waiter said he had taken the breakfast from "the girl in the kitchen," and disclaimed responsibility for the scrambled service. After due inquiry, the NLRB reported in part:

> "It is, therefore, necessary to examine closely the circumstances connected with the serving of the breakfast. . . . Moeller [Chief of the Hotel Dining Service] admitted that he did not blame Webb [the discharged waiter] for serving thin and not thick ham, because Webb had not taken the order. As to whether the warm applesauce was correctly served in a peacock china dish when the rest of the meal was served in gold-band china, there is a conflict not only between the testimony offered on behalf of the Board and that on behalf of the respondent, but also as between two of the respondent's witnesses. Webb's explanation for two kinds of china is that applesauce could not be heated and served in the customary glass dish, and since no proper dish was included in the regular room service china, he had to use peacock china. In evaluating Webb's explanation, it is to be noted that the girl in the kitchen who dished out the applesauce served it in the peacock dish. Apparently she too believed that such a dish was correct. Moeller testified that a glass dish was the correct dish to

> use, since the gold-band china had no correct dish for dessert. On the other hand, Charles Lautenslager, the Captain of the Room Service, insisted that Webb should have used a *terrapin dish* with the gold-band china. Both Webb and Moeller testified that a terrapin dish was not proper. Moreover, Lautenslager actually insisted that the service was wrong in all respects except the dish in which the applesauce was served."

From this point the report went on to explore the question of the missing butter. More witnesses were called, from the kitchen, the bell captain's staff, the room-service pantry, and the chief housekeeper's department. But all the power and authority of the Government of the United States could not at last fix responsibility for the missing butter. Leaving the mystery unsolved, the NLRB decided at length that the waiter had been dismissed because of union activities and a decree and finding was issued accordingly.

In New York, the Labor Board was called upon to decide whether a professional model had been discharged for union activities, or because her hip measurement had expanded an inch. There was much testimony this way and that. Five lawyers appeared in the case. The young woman, a willowy brunette, twenty-one years of age, 5 feet 8 inches tall, and weighing 120 pounds, finally won a compromise decision, which conceded her perfect hip measurements but yet left her temporarily unemployed.

This beauty's dismissal, according to the complaint, had been based upon the false premise that her hip measurements had increased from thirty-five and one-half to thirty-six and one-half inches, thus taking her out of the "perfect fourteen" class. The real reason for her dismissal, the young woman

charged, was that she recently had been elected treasurer of the Professional Models' Union of America. She testified that her hips were "at least one inch smaller" than those of the head model in the establishment. "The coats were made to fit her; so that couldn't be so."

After the morning measurements, the hearing recessed while the lawyers conferred on whether the firm was engaged in purely state or interstate commerce. At the afternoon session photographs of the tape-measure as applied to the complainant's hips showed an even thirty-five inches; whereupon the employer disavowed that hip measurements ever had figured in the case. He stated for the record that the woman had been discharged merely because her services no longer were needed. This left the complainant with her professional qualification and standing unimpeached, unimpaired, and attested formally in the stenographic transcript. On that compromise the trial was abandoned, for by the time all these grave issues had been explored, the modeling season for winter coats was over anyhow.

Unfortunately not all problems in American industrial relations have to do with thin ham, applesauce, peacock china, butter, and hips. There came also the tumult of sit-down strikes, mass picketing, seized plants, general strikes, flying squadrons, all of which pressed at various times for the attention of the overworked Labor Board. When the tide of sit-down strikes reached such proportions in 1937 that two senators demanded on the same day whether the nation faced a state of "insurrection" and "rebellion," Congress decided to investigate. The subsequent inquiry laid bare the most astonishing record of bureaucratic usurpation in American history.

"From the very beginning of the administration of the

National Labor Relations Act," said the House Committee's report of March 30, 1940, "a storm of criticism has attended the work of the National Labor Relations Board, both as to the activities of the individual Board members and of the staff, and the policies and regulations made by the Board." The Committee then summarized in ninety-five typed pages the charges supported by its evidence against the Board. These charges included blacklisting of employers, government promotion of boycotts, unlawful lobbying for amendments enlarging the powers of the Board, the direct agitation of strikes by Board members, and open NLRB connivance in plans for a general strike in one important industrial area of Pennsylvania.

In support of its charges that the NLRB actually had gone into the field to stir up labor strife, the Committee cited a letter from the Board's secretary concerning a situation uncovered in the Seattle regional office, one of twenty-two maintained throughout the country. Of one of the trial examiners on the Pacific Coast, this letter said: "He doesn't think the Board is doing enough for labor at the present time, and believes hearings should be held even when the Board obviously has no jurisdiction, if the holding of such hearings will help labor organization. He was unwilling to see anything done about the —— case, because he thought any such action on the part of the Board would hurt the CIO and help the AFL."

Here, in the routine activities of an agency of government, are found the roots of labor's bitter and demoralizing civil war. This finding of the NLRB's secretary was recorded in December, 1936. In May, 1937, the examiner referred to was transferred to Los Angeles, and in June he received a salary increase! Three months later he was awarded another

increase. His services with the Board were not terminated until August, 1939, by which time the secretary's letter of December, 1936, had fallen into the hands of the House investigating committee.

When a strike occurs in the United States it costs the national economy $59 per day for every man directly involved. That is the average figure computed by a special sub-committee of the Senate Committee on Finance, appointed in 1938 to inquire into industrial relations and incentive taxation. The voluminous report comprises perhaps the most exhaustive survey of strike costs ever compiled on American experience.

"The loss of strikers' wages is only a small part of the losses that are eventually incurred by the national economy," the report said. "The average wage loss per man-day of strike is $3.94. The manufacturers' overhead loss amounts to $5.85, and the amount of materials tied up by the strike have an average value of $13.82 per man-day, giving a total primary loss of $23.61, representing the value of orders tied up each man-day of strike."

These calculations were based on 1937 strikes, when total man-days lost for the year were 28,424,857. Next, careful analyses of average manufacturers' outlay for selling, promotion, transportation, and related distributional expenses, disclosed that one dollar of manufactured product at the factory gave an ultimate "diffused value" of two dollars and a half in the national economy by the time the sale had been completed to the consumer. Thus, strikes really cost the nation a dollar and a half beyond the factory for every dollar lost at the job-site. By this formula, the $23.61 loss per man-day at the plant entails an average money-flow loss of $35.41 per

man-day in associated distributional lines, making ultimate strike losses for the whole economy $59.02 per man-day. Only a fraction of this loss is compensated by unemployment insurance in those states whose laws make strikers eligible for such payments.

On the other hand, no account is taken here of riot damage, individual hospital and medical expenses, increased police outlays by the public, and added costs of private protection in labor disputes involving civil commotion. These added costs never have been computed, but obviously they aggregate millions of dollars annually.

Using the Senate Committee's figure of $59.02 per man-day, *total* strike costs for the five years 1933-1937 were $5.6-billions, or an annual average of $1.12-billions. For these five years, total strike costs, on this basis, were 1.9 per cent of the aggregate national income, as reported by the Commerce Department. In 1937, when man-days lost were double the annual average of the previous five years, total strike costs were $1.7-billions, or 2.54 per cent of the national income. Viewed in this light, strikes entail an average annual cost equivalent to a direct tax of approximately two per cent on national income. Should government itself then be engaged in the work of agitating labor disturbances?

Obviously something of fundamental significance and influence has occurred in American industrial relations since 1933. For the three depression years 1930-1932, strike costs, on the Senate Committee formula, were but .43 per cent of the national income. Whither shall the nation turn to account for the astounding spread of industrial disputes revealed in the following table from the United States Department of Labor?

Year	Man-Days Lost in Strikes
1930	2,730,368
1931	6,386,183
1932	4,462,973
1933	16,872,128
1934	19,591,949
1935	15,456,337
1936	13,901,956
1937	28,424,857
1938	9,148,273
1939	18,687,739

These figures mean that, in relation to national income, strike costs have increased almost fivefold under recent national policies.

Two of America's foremost labor leaders have placed the blame for this unhappy development at the door of the National Labor Relations Board. "We believe that the Act has been administered contrary to both its spirit and letter," William Green, president of the AFL, testified before the House investigating committee. "We charge the Board with maladministration, with bias, with an attempt to apply their own particular philosophy in the disposition of cases, rather than the plain provisions of the Act. The Board, in our judgment, is anything but a judicial body."

In the same vein, John L. Lewis declared in his annual report to the 1939 convention of the CIO, at San Francisco: "But when the Act is so administered as to thwart the development and maintenance of stable industrial relations, then it becomes necessary to consider and weigh carefully whether the benefits of the Act outweigh the dangers which its administration inflicts upon organized labor."

Every business manager knows what happens when the NLRB comes to town. The map is dotted with communities in which Labor Board elections have left key plants all but paralyzed by strife and bitterness between contending labor groups. In thousands of instances, the record shows, the NLRB hearings and machinations generated unmanageable currents of friction among workers who formerly had been loyal and congenial for years. There are even cases in which management, finding the plant a house divided against itself after an NLRB "settlement," has simply locked the doors and abandoned business.

In twenty-five typical NLRB elections during May and June, 1939, as officially tabulated for Congress, the CIO won thirteen, the AFL seven, other unions one; and four plants voted a majority against *all* the organization campaigns. This deep rift in the ranks of labor was reflected in thousands of costly interruptions over union jurisdiction.

But far worse from the standpoint of management and labor alike, was the stimulation of bitterness and union cross-fire within a single plant, often between men who had worked for years in complete harmony and good will. In an Ohio stove plant, for example, the CIO got 222 votes, against 215 for the strongest rival union, and thirteen voted against both. Here is a group of 450 men working side by side, with 222 officially recorded in one camp and 228 in two opposition camps. It requires no ocular powers to vision the *esprit d' corps* in such a situation.

The official record offers much evidence of heavy damage to tools and equipment following such elections, and hundreds of other cases tell of a general lag in production dur-

ing and following the stirring "campaigns" of the contending unions following NLRB intervention.

In a California optical plant the vote was twenty-nine for the CIO and twenty-one against. An Alabama cotton mill voted CIO 582 and AFL 537. A Massachusetts woolen mill voted 232 CIO and 194 against all contending unions; an Ohio printing establishment voted 10 AFL and seven against all; a New Jersey wood-working plant voted 156 CIO and 106 against all; a Chicago novelty plant voted fourteen CIO and forty-two against all; a New Jersey paper mill went 168 CIO and 126 AFL with five for neither; a Cincinnati lamp works went thirty-two AFL and forty-two against all; a Virginia paint factory voted 125 AFL and 161 against all; a sailmaker's shop in New York voted six AFL and six against all unions; a Texas trucking company voted four AFL and three against all.

So the story runs from coast to coast—each plant left a warring camp, the workers scheming, conniving, bickering, often conspiring in hidden ways to cripple or handicap the productive efficiency of rival factions.

In short, the record of five years discloses that the coming of NLRB to a town was pretty much like the blast of a cyclone; plant morale was uprooted, twisted, smashed, and dropped in a heap. Management then was told, in effect, "Now you've had an election; pick up the pieces and get to work."

Often, years of patient building in wholesome and congenial employee relations had been wiped out, and in its place left an ugly smoking volcano of snarling and bitter feeling between the triumphant and defeated groups—whose

relative strength often was measured by a margin of only a half-dozen votes.

Government economists are not in agreement as to how generally these situations, repeated in thousands of plants since the Wagner Act became effective, have retarded national recovery. Some believe that bungling labor administration has been the first retarding factor, while others place it second or third, after monetary policy and deficits. It is significant, however, that every economic inquiry, in government or out, gives NLRB first, second, or third rank among the forces frustrating sustained recovery. This is the Bottleneck of National Defense today.

The House investigation demonstrated clearly, in the view of congressional leaders, that the major difficulty under the Wagner Act has been bad, sometimes vicious, administration. Young and inexperienced men and women were given vast authority over industry and labor, and in many cases ran amuck with their unaccustomed powers. The keynote of this failure was struck in a letter written on December 20, 1937, by an attorney attached to the NLRB Regional Office at Kansas City.

"The preparation of the —— case goes on apace with gleeful malice," he wrote to George O. Pratt, chief trial examiner at Washington. "Our card index of facts is nearly complete and it's nothing short of deadly; there was never anything like it, and thanks to it, we'll be able to try the case in five different directions, varying the theme whenever the melody begins to pall.

"We can go ahead on a straight factual basis or fry one malefactor at a time by arranging our witnesses accordingly—due to the facility accorded us by the index. In certain mat-

ters I shall try the case backwards; do you get the idea?"

Pratt, to whom this letter was written, formerly had been NLRB regional director at Kansas City. After his promotion to Washington as chief trial examiner, he wrote the Kansas City office that the employer "has two strikes on him," before the Board reviews a regional report.

This reference was explained by Pratt as meaning that no complaint ever was issued until the examiner had satisfied himself of a violation of the law. Yet the fact remains that, in theory at least, the function of the Board is to determine violation of the law *after* findings of fact. Under Pratt's formula, the employer came before the Board at least two-thirds guilty.

This attitude toward employers, general throughout the NLRB, was attributed by the House investigators to a deep tinge of Communism upon the administrative personnel. In the examination of David J. Saposs, NLRB Chief Economist, it was revealed that the witness formerly had been identified with the Conference for Progressive Labor Action. During the course of his examination, Saposs identified a formal statement of principles in which the "true goal" of the CPLA was declared to be "the complete abolition of planless, profiteering capitalism, and the building of a workers' republic." After this material had been placed in the House record, Saposs denied publicly he ever had supported the program, and heatedly repudiated the suggestion of committee members that his approach to American industrial problems was baldly Communistic.

When the House voted at length, early in June, 1940, to abolish the NLRB and reassign its essential functions, Representative E. E. Cox, of Georgia, a ranking majority member

of the Rules Committee, thus summarized the investigation (*Congressional Record,* June 4, p. 11,477):

> "Indeed, the Board and its emissaries have gone about our country raising and breeding discord and differences. The Board has not awaited demands upon its jurisdiction; it has actively solicited—even created—charges against employers. It has planned campaigns to foment strikes, as its tactics before the 1937 'little-steel' strikes will illustrate. . . . Moreover, Mr. Speaker, the Board's preferences for the teachings of Marx and Lenin are not merely philosophical. The Board's personnel is shot through with active adherents to their doctrines. Its sympathies in the labor movement are with those who support and advocate the totalitarian dictatorship of Stalin."

The investigation likewise disclosed instances of NLRB officers conniving with labor organizations to bring charges and actions against certain selected employers in a given field, while allowing others in the same competitive area to go free of such molestation. In several of these cases, the inquiry developed, the NLRB's authority to initiate action was taken over, for all practical purposes, by the labor union, which selected the "victim," prepared its case with the daily advice and guidance of NLRB staff members, and then went to trial at a date selected, not by the NLRB, but by the labor organization. These trial dates sometimes were picked with a view to catching the employer at the seasonal peak of his operations, thus wiping out the profits of a whole year.

In other cases, the labor organizations set their cases against a given employer or industry after receiving information of government contract awards. Rather than risk the heavy

penalties fixed for delayed performance on the government accounts, the employer quickly accepted labor's ultimatum. In some cases, the labor organizations learned in Washington of the government contract awards before the announcements were published formally by the Labor Department.

Another practice which developed out of this close collaboration between the labor organizations and the NLRB was the announcement of tentative trial dates, as a threat to force employers to accede to labor terms without NLRB hearings. These fictitious trial dates sometimes were announced in the field, through the press, without reference to the Board at Washington, which alone held power to set trials.

The report of the House Committee also charged the NLRB with "blacklisting" certain firms bidding for government business or seeking RFC loans. At another point, the Board was charged with "boycott promotion." In the case of a large steel corporation, the House Committee said the "Board could be justifiably charged with activities akin to entrapment."

In one important textile case, the secretary of the NLRB wrote to a regional administrator in December, 1936, asking if investigation had disclosed "anything which would be a possible basis for a charge of unfair labor practices." Within a month of this inquiry, formal charges had been lodged against the firm named in the secretary's letter. Although the charges were filed on January 27, 1937, the NLRB's formal citation was not voted until November 6, 1937. Why the delay of nine months? A memorandum in the NLRB docket under date of February 6, 1937, reads: "Present status of case—Held in abeyance at request of Union pending possibility of general strike."

Three weeks later another memo from the same regional office, under date of February 24, reported: "There is a strong possibility of a general strike developing in —— over the situation in the —— Mills, and the Union would like to wait a week or two." This general strike did not develop. But the principal industry in the community was crippled by the officially inspired labor turmoil for almost two years. In another case of record, a large electrical equipment plant was continuously before the Board for three years—hearings, rehearings, cross-bills, affidavits, pleas, recounts, orders, petitions, rules, and, at long last, an amended order to reinstate a number of employees with back pay since the original action.

On March 18, 1940, a trial examiner of the Labor Board at Orange, New Jersey, published his resignation. He had been considering the act for eighteen months, the letter explained. The action was dictated, he added, by his conviction that the whole record of the Board was corrupted by "rotten radicalism." Five days before his resignation, the attorney had attended a special lecture in Washington headquarters by Chief Economist Saposs, on the theme, "what should be got into the record of a Labor Board meeting, aside from direct evidence, to show by inference that employers are fostering company-dominated unions." Here was something in the nature of a school of crack-down, in which NLRB headquarters taught the regional attorneys how to get into the trial records general material sustaining the philosophical suspicions of the Chief Economist.

This unwholesome attitude toward judicial questions also has been noted in several pivotal court decisions touching NLRB.

One docket reviewed by the President's Committee on Administrative Procedure was that of the Empire Furniture Co., of Johnson City, Tennessee, a case which involved some two years of continuous labor strife. When the record reached the Sixth Circuit Court of Appeals at Cincinnati, the three judges ruled unanimously against the Labor Board's finding, and excoriated the Board for substituting "surmise, suspicion, and guess for proof."

In summarizing the Board's trial procedure in the Empire case, the appellate Court said:

> "By building one inference upon another, and by the simple expedient of rejecting controverting evidence destructive of both, as not entitled to credence even though unimpeached, the Board arrived at its findings. . . . We understand fully that the Board is not bound strictly by technical rules of evidence. We do not understand that this is a caveat to arbitrarily substitute surmise, suspicion, and guess for proof."

An earlier decision, from the same court on another NLRB case, sent down the dictum that "the rule of *substantial* evidence is one of fundamental importance, and is the dividing line between law and arbitrary power."

A possible explanation of these condemned procedures is hinted in a letter written by one of the NLRB trial examiners to John L. Lewis, President of the CIO, in April, 1937, (Committee Exhibit 812; Report, p. 21), in part as follows:

> "You, I know, do not have to be told that your present struggle with G.M.C. [General Motors Corporation] is the first round of the heavyweight championship fight of this generation in this country. I want to help you win

> this and all succeeding rounds. . . . Please send for me at once—and pay me whatever you like—now and always. And to prove that my humility is equal to my zeal, I will start by carrying your brief case—or your bags, if you do not have a brief case."

This letter is the history of the Wagner Act in a nutshell. The NLRB has been carrying the CIO's brief case since 1935.

"The government is more interested in my salary than I am, as it gets most of it."

—A. W. ROBERTSON

CHAPTER ELEVEN

Tax-Exempt Landlord

THE richest real-estate holdings in the United States under one ownership are tax free. The owner is Uncle Sam.

For the nation as a whole, directly owned real estate in the title of the federal government makes one-fifth of the total land area—twenty acres out of every hundred from coast to coast, not including public lands in the territories. In 1939 the National Resources Board reported that "the extent of government holdings is approximately identical with the area of *all the states east of the Mississippi River,* excepting Alabama, Florida, Georgia, and Mississippi."

The major areas of Uncle Sam's domain are in the parks, forests, grazing lands, and Indian reservations of the West. But in every state, the military posts, navy yards, post-offices, courts, customs houses, experimental farms, weather laboratories, and a score of lesser activities enjoy tax-free shelter. Counting every type of holding, United States real estate is scattered through 2,628 of our 3,072 counties. Incorporated cities having at least one piece of tax-free federal property number 2,965. The 1939 official inventory listed 15,208

parcels of federal property in the states, aggregating 394,-657,721 acres, of which 47,444 acres were within the city delivery limits of some post office.

In Nevada, Uncle Sam owns eighty-two per cent of the land area. In four of Nevada's seventeen counties, the United States owns *all* the land. In one county of South Dakota the estimated value of the United States property is eight times the assessed value of all other property. Iowa suffers the least federal encroachment in this respect—one-tenth of one per cent of her land area.

The tabulation below classifies the federal holdings according to administrative organization, showing the percentage of the total managed by each major division:

Unit	*Area (Acres)*	*Percent of Federal Total*
Forest Service	151,897,489	38.49
Grazing Division	109,823,489	27.83
General Land Office	54,659,873	13.85
Indian Affairs	52,188,320	13.22
National Parks	12,888,257	3.26
Farm Security Administration .	6,389,655	1.62
Biological Survey	1,588,981	.40
Quartermaster Corps . . .	1,504,992	.38
Bureau of Reclamation . . .	1,443,726	.37
Corps of Engineers	1,079,471	.28
All others	1,193,468	.30
Total	394,657,721	100.00

The Resources Board estimated that these holdings, if assessed for taxes, would be valued at $3,282,914,000, or about three per cent of all the real property valuation of the United

States. The current fair market value of all federal real estate and improvements was placed at $4,696,062,000. By value, approximately half of the improved real estate is in the District of Columbia. Of the approximately seventy-four square miles of federal urban real estate, sixteen square miles are in the Capital, and fifty-eight square miles in the states.

In addition to direct ownership, Washington had possessed 165,000 homes through HOLC foreclosures up to 1940. These properties represented a book value of $600-million; but as they pass to private ownership again, the local tax yields will be resumed. As of November, 1938, the HOLC carried 873,000 loan accounts, exclusive of foreclosure cases. Of these active accounts, 362,000 were in default on either taxes, interest, or both.

Another vast field of federal ownership is the Farm Credit Administration. As of January 1, 1940, this agency held land mortgages on 1,057,532 farms. In addition, crop mortgages were held against 1,569,270 farms. Eliminating duplications, the federal government then carried roundly $3-billion worth of mortgages and crop liens on about 2-million individual farms. This means that Washington has a direct proprietary interest in every third farm in the United States. Farms owned outright by the several federal mortgage agencies at the end of 1939 numbered 29,645. Since 1933, farm foreclosures by the federal government have averaged roundly 8,000 a year.

Through the Resettlement Administration, the Reconstruction Finance Corporation, the Federal Housing Administration, the Rural Electrification Administration, the Tennessee Valley Authority, and the United States Housing Authority, additional properties are coming into federal ownership al-

most daily. From these agencies, however, no comprehensive reports have been published touching current holdings.

Despite expenditures of more than $2.5-billions for new federal buildings throughout the country during the last decade, Uncle Sam still digs into the other fellow's pocket for approximately $10-millions a year for office rent. The mushroom growth of functions and solicitudes under the New Deal quickly bulged a federal building program which had been designed to meet anticipated needs for a quarter-century. In the District of Columbia the government owns 109 buildings with a combined floor area of 14,225,000 square feet. In addition it rented, as of 1940, some ninety-four parcels of office space, including three ten-story hotels hastily converted to business quarters to harbor as many successive emergencies.

Defenders of bureaucratic centralization have argued that federal grants and subsidies to the states, in the form of road building, agricultural assistance, relief, public works, power rebates, and lumber sales, more than offset the non-payment of taxes on government lands. But such grants are principally for items outside the community budget and, to that extent, do not relieve local taxpayers. On the other hand, every federal project imposes some additional maintenance costs upon the local government, particularly in fire and police services, water, streets, sewers and public utilities. More important, every penny turned back to the states by Washington, for whatever purpose, comes from the states in the first instance. At best, therefore, the federal grants represent merely the transfer of tax collections from one group of states to another. By whatever formula, direct federal

ownership on a tax-free basis reduces ultimately to an absorption or diversion of local revenues. With the steady expansion of the federal domain, and the consequent withdrawal of taxable areas from the reach of local assessments, the states and their subdivisions are being pressed constantly to seek new sources of revenue to support minimum local services and functions.

When the Tennessee Valley Authority in 1938 purchased outright ninety per cent of the electric power utilities in Tennessee, the state, counties, municipalities, school districts and townships immediately were deprived of annual revenues to the extent of $3.3-million. Polk County, for example, saw its budgeted revenues shrink from $297,000 to $118,000 almost overnight. The Taxpayers' Association estimated an increase of sixty-six per cent in the prevailing rate would be required to supply the vanished utility taxes. In Marion County, Judge W. W. Abels, the fiscal agent, computed the tax loss at thirty-three per cent of budgeted revenues. Unless the federal government supplied the deficiency, he predicted: "We'll have to default on our bonds and close our schools next year. There would be a taxpayers' revolt if we tried to raise the rate. Our tax rate now is the highest in the county's history, and we haven't much other industry to tax."

In this transaction, seventy-six of one hundred counties in Tennessee suffered distressing revenue losses. Across the line, Fannin County, Georgia, lost approximately sixty-six per cent of its revenues and about seventy-five per cent of its school district income. Here some of the schools were closed for a time. At length a bill was presented in Congress authorizing TVA to contribute equivalent funds to the distressed units of local government—but not as taxes!

The same problem in smaller dimensions has confronted the Forest Service of the Department of Agriculture in roughly half the states. Presenting this case before the House Appropriations Committee on February 15, 1939, Chief Forester F. A. Silcox said: "I am convinced that, pending the time the timber can be restored, some way must be found to provide some kind of contribution by the federal government where, like this, lands are taken off of the tax roll. Otherwise the communities have little chance of sustaining themselves." Parallel experiences might be cited for every property-holding branch of the national government. Whatever the purpose of these real-estate operations, all tend in the same direction—to make the state and local governments the mere fiscal dependencies of Washington. With the tax bill, all local authority also passes to the federal administrative bureaucracy.

National playgrounds account for a large area of federal real-estate acquisitions since 1933. The pump-priming theory made every extravagance, for a time, an apparent blessing, and the National Park Service, of the Department of the Interior, enjoyed a gusher share of the tinsel stream. During the seven fiscal years ending 1940, national parks and monuments added to the federal playground reservations numbered ninety-two. Appropriations for the National Park Service increased from $10,640,000 for 1933 to $25,659,000 for 1939.

When this agency was established in 1916, the total park area transferred to its jurisdiction was 5-million acres, in thirty-seven administrative units. By 1940 there were 152 park and monument areas embracing a little more than 20-million acres. Park appropriations for the fiscal year 1917

were but $784,566. Over a period of twenty-three years, the park area was multiplied by four, while the annual expenditures therein were multiplied by thirty-one.

This growth underlines the ultimate problem arising from federal ownership. However desirable national parks may be, they are, economically, a purely luxury function of government, to be taken in moderation. Regarded otherwise, they tend to impose an annual maintenance budget far out of line with national resources. In ultimate terms, the problem is not different for the nation than for the family at an automobile show. A great many families which maintain comfortably a five hundred dollar car would find four Rolls' models more than a nuisance.

Legislative history discloses that the whole scheme of national recreation areas was based on the theory they would be largely self-sustaining through admission charges, business concessions, and sub-rentals. During the first ten years, park revenues were approximately thirty-three per cent of expenditures, but for the five years 1936-1940 these revenues were less than five per cent of park expenditures.

Only in the case of military posts which maintain a relatively large personnel, are the local governing units fully compensated for federal ownership, and that, indirectly. An illuminating example of this local pork-barrel scramble was recorded in Congress during the historic economy fight of 1932, in which President Hoover undertook, among other things, to consolidate the antiquated Mexican Border army posts. One of the first protests came from Representative Lewis W. Douglas, of Arizona, who later was to become President Roosevelt's "in-again, out-again" economy crusader. When the proposed abandonment of military posts at

Douglas and Nogales was announced, Congressman Douglas hastened to the White House. If the troops were moved, "there wouldn't be much left," he explained after his interview with President Hoover on December 8. "Both Douglas and Nogales depend in large part upon the pay rolls of these troops. About $600,000 is spent in the two towns each year. It would be a very serious blow if the troops were removed, and would mean more direct relief would be needed in the state from the Reconstruction Finance Corporation."

Protests of the same tenor were lodged at the White House by Senators Connally and Sheppard, of Texas, and Hayden of Arizona. For each community the argument was the same—"move the troops for economy and you will have to support the town through the RFC." When the War Department insisted upon its program, special legislation was introduced in both the House and Senate to require that the garrisons be maintained. The incident well points the complexities and conflicts of interest which flow from federal ownership in the states, and the difficulties which beset any economy effort which may threaten the business volume of the local communities.

Such are the problems which arise in ever wider range as the real-estate holdings and administrative operations of the federal government are extended from year to year. Parks, forests, water power, arsenals, or office buildings—all of Uncle Sam's real estate comes out here: new millions added permanently to the budget for maintenance. Will bureaucracy's deep urge to shelter its typewriters and check-writers bring forth at length the device by which the federal government will take over the whole economic life of the nation?

Surely the present federal land holdings and real-estate enterprises make the question not a fatuous one. Nothing else in the United States, animal, vegetable or mineral, is growing so fast as the central government. Unchecked, this tax-free expansion ultimately must debilitate every form of local authority and home rule.

"Public Enemy No. 1 is Old Man Politics."

—J. EDGAR HOOVER

CHAPTER TWELVE

Pap and Plunder

THE merit system of Civil Service is the keystone of efficient and economical administration in representative government. "As American as the common school system," was Theodore Roosevelt's characterization of the competitive selection policy.

Launched in 1883 under the Pendleton Act, the system developed steadily in strength and influence over a period of fifty years, removing an ever larger area of federal employment from the greedy manipulation of political spoilsmen. At the outset, only 10.5 per cent of the Executive personnel were under statutory merit regulations. By 1904 this percentage had increased to 51.2, and by 1914 to 61. Even under the emergency pressures of the World War expansion, Woodrow Wilson rigorously maintained the integrity of Civil Service, increasing merit posts to 67.2 per cent of the total personnel by the end of 1920. Mr. Coolidge advanced the figure to 74.8 per cent, and Herbert Hoover to 80.1 per cent. By 1928 the United States Civil Service Commission was happy to report to Congress: "Every President since the Civil Service Law was enacted has extended its scope by executive order, and each Congress finds new avenues for the

activities of the Civil Service Commission." Under the merit system, the whole scheme of government gradually was flavored increasingly by competence, devotion to public service, and a growing sense of administrative responsibility.

This half-century march of merit was interrupted for the first time in 1933, when a new system of "political clearance" was introduced under the leadership of Postmaster General James A. Farley. Political clearance as a system of public appointment is based on the concept that the first qualification of any office seeker is a letter of endorsement from the Administration's party chairman in the applicant's home county. Under this scheme, the proportion of merit positions in the federal government declined steadily from month to month, to sixty per cent for 1936, or approximately the ratio which had prevailed in the period 1908-1910. The merit progress of a quarter-century thus was liquidated in the brief space of four years.

As of January, 1940, there were 352,139 non-Civil Service positions in the federal establishment, compared with 113,847 on June 30, 1933. While creating roundly 400,000 new jobs in seven years, President Roosevelt had added only 166,000 offices to the merit rolls. The others were thrown to the wolves of patronage. Whole agencies often were expressly excluded from Civil Service classifications. As of June, 1939, for example, the Civil Service Commission reported 33,972 persons engaged in the administrative divisions of WPA, not one of whom was under the merit regime. The HOLC then employed 10,950, all on a patronage basis. The Public Works Administration, employing 10,305 men and women and the TVA employing 12,149, were likewise exempted from Civil Service personnel control.

"Patronage," said Mr. Farley in an hour of exultation in

1933, "is a reward to those who have worked for party victory. It is also an assistance in building up the party machinery for the next election." Questioned in a press conference concerning delay in replacing an important bureau chief widely acclaimed for exceptional scientific attainments, the Postmaster General responded with the first maxim of spoilsmanship. "Don't worry," he said with his wonted genial inflection, "if we look hard enough we can find a good Democrat for the job."

This recent demoralization of the competitive Civil Service promises to influence American affairs profoundly, perhaps fundamentally, for a quarter-century. For, once the merit principle is abandoned, partisan activity tends to degenerate to a mere race for place at the Treasury trough. In this situation, the very concept of public service shrinks, withers, then dies. At length government ceases to be the proving ground for measures of social adjustment and becomes the mere battleground of the *ins* versus the *outs* for the exactly measured plunder of the public pay roll. "If the people of this country," said Grover Cleveland, "ever submit to the banishment of the underlying principle of the merit system from the operation of their government they will abandon the surest guarantee of the safety and success of American institutions."

Although the regular departments had been almost entirely under Civil Service for many years, the New Deal spoils raids have tended to undermine merit even in the oldest services. Of 107,000 employees in the Department of Agriculture as of June, 1939, only 35,000 were under Civil Service. Only forty per cent of the Interior Department and forty-one per cent of the Treasury Department then were under the merit

code. Less than half of the Department of Justice was subject to competitive selection. The same was true of the Farm Credit Administration, the Federal Deposit Insurance Corporation, the General Accounting Office, the Federal Trade Commission, and the National Labor Relations Board. In the Department of State, less than one-third of the employees were under Civil Service classification.

"Sunny Jim" Farley often has acknowledged in moments of neighborly philosophical reflection that parties do not live by patronage alone. But in the boisterous hurly-burly of practical politics there is little time for philosophy. Nor has history yet established that our new spoils regime developed inexorably from the cosmic pressures of "recovery." Immediately after the 1932 elections, Mr. Farley laid down the rule in communications with state lieutenants, that the first question concerning the qualifications of any prospective appointee would be, "Was he *for Roosevelt before Chicago?*" So sweeping was the rule, and so firmly was it held, that the press soon was bantering the "F.R.B.C. Club"—the first of the alphabetical agencies. Senators and representatives by the score crossed swords with Mr. Farley on the rule, but few ever were able to penetrate his skillful precinct defenses.

Early in December, 1932, a month after the New Deal landslide, Senator Kenneth D. McKellar, of Tennessee, then ranking minority member of the Committee on Post Offices and Post Roads, presented a resolution requiring the Civil Service Commission to compile an official catalogue of all *appointive* places in the federal establishment. The resolution was approved promptly, and on January 14, 1933, still five weeks before inauguration, the Government Printing Office released *Senate Document No. 173* of the Seventy-

second Congress, a volume of 240 pages in very small type. The formal title runs, *A List of Offices, Positions, Places, and Emoluments Under the Federal Government and the District of Columbia Not Under Civil Service Rules and Regulations.* It catalogued more than 100,000 jobs soon to be—"house-cleaned," as the saying goes in the wards.

The *Plum Book,* as Washington quickly styled it, retailed at forty cents and was an instant sensation among government best-sellers. With this volume before him, every state and precinct chairman could know at a glance exactly what jobs were to be available in his territory on March 4, 1933. As in the *Army Register* of the Indian Service, which impressed Kipling so deeply in his youth, salaries were tabulated neatly at the right. From coast to coast duly certified members of the F.R.B.C. fraternity began to set their caps.

Almost overnight the administrative services were utterly demoralized, even to the highest scientific and professional grades in such agencies as the Bureau of Standards, the Weather Bureau, the Food and Drug Administration, and the Bureau of Chemistry and Soils. Everyone whose place was listed in McKellar's index knew precisely what his fate would be. Even should he survive the first orgy of the patronage *putsch,* attrition would flatten him in the end. Among Civil Service holdovers the scramble for protective influences—political, personal, legislative, by transfer, or by voluntary retirement to the half-wage security of the pension rolls—became a stampede. Drafting officers in the State Department raced for remote foreign posts, in the hope that they, in truth, might become forgotten men. In several cases of record, less rugged individuals throughout the service registered nervous breakdowns smack in the Bureau.

Within thirty days the *Plum Book* had reduced Washington to a spoils hysteria, and by mid-February the routine departmental services had come to a standstill. Mr. Farley's political grappling hooks were reaching for the last janitor in the Custodial Service. As Luther C. Steward, President of the National Federation of Federal Employees, reported before his annual convention at Kansas City, Mo., September 4, 1933: "Naturally, with the atmosphere of uncertainty in high official places, the rank and file of the federal employees have been in a state of well-nigh panic. . . . There have been many casualties, however; mental and physical breakdowns, premature deaths, and suicides have been tragic incidents."

This first manifestation of national planning recorded an arresting episode of the post-election interregnum. On February 24, 1933, a week before inauguration, Mr. Farley was a caller at the Hyde Park residence of the President-elect, who was just returned from a two weeks' cruise aboard the Astor yacht, *Nourmahal.* In Michigan, it will be recalled, all banks had been closed for ten days. Maryland was in the act of proclaiming the second state moratorium in that calamitous series. Indiana, Illinois, Ohio, and Pennsylvania were a prairie fire of panic. Banks were screaming to the RFC for cash by airplane. But at Hyde Park, Mr. Farley apparently was able to hew to the line, for next morning Mr. James A. Hagerty, a staff political correspondent of the highest professional standing, reported in the New York *Times:*

> "Mr. Roosevelt and Mr. Farley discussed the New York State patronage situation late this afternoon and decided on procedure to co-ordinate the distribution of state and federal patronage, a system which would be put into effect in other states.

> "With Democratic governors in forty-one states, Mr. Farley believes there should be co-operation between the national and state party organizations in parceling out the jobs.
>
> "He is in a position to do this effectively in New York State, because he is both national and state chairman. For example, if a man from Cayuga County should receive a federal post, it is Mr. Farley's idea that a state post of equal caliber should go to a resident of some other county than Cayuga, or at least should lessen the chance of a Cayuga resident for appointment.
>
> "He will attempt to have the various state chairmen co-operate with him, that the organization recommendations in the distribution of minor patronage will be so arranged that it will receive the widest possible distribution, thus to build up an effective party organization throughout the country. . . ."

It was the execution of this February plan which, in the early summer of 1933, gave a new and rasping term to Washington's fabulous recovery lexicon—"political clearance." In May, 1934, an official definition of the term came to light in a notice posted by the Bureau of Reclamation at Denver, as follows:

> "The Secretary of the Interior requires that each recommendation submitted to him for appointment to a non-Civil Service position in the Bureau of Reclamation be supported by clearance from some appropriate official in the Democratic party organization. . . .
>
> "In order to support a recommendation to be forwarded for your appointment, it is requested that you obtain from either the chairman of the Democratic county committee, the chairman of the Democratic state committee, or the chairman of the Democratic central

committee in the county or state in which you claim legal residence, a brief statement or clearance as indicated above.

"The clearance should be mailed by you to the Chief Engineer, U. S. Bureau of Reclamation, Denver, Colorado.

(signed) "R. F. WALTER,
Chief Engineer."

In every department, bureau, agency, authority, and corporation this system of clearance applied down the line, even to the $1,200-a-year recreation directors in the CCC camps. So disturbing did the spoils pressures become at length in the office of the Comptroller of the Currency, the Treasury, and the RFC that the American Bankers Association was moved to suggest modestly in October, 1934: "Politics should have nothing to do with the appointment of bank examiners."

Mr. Farley was never evasive or apologetic concerning the F.R.B.C. policy. The frankness with which he discussed it is suggested by the following excerpt from his address dedicating a new post office at Greensboro, North Carolina, on June 6, 1933:

"Your delegation at the Chicago convention not only gave loyal support to the candidacy of Governor Roosevelt, but rendered effective service among other delegations. I am very glad indeed that the President named as collector of internal revenue in this State one of the most effective of your delegates, Mr. C. R. Robertson. Another of the North Carolina delegates, Mrs. Palmer Jerman, has been named assistant collector of internal revenue. And Honorable Josephus Daniels, another delegate, has been made ambassador to Mexico. Another distinguished North Carolinian, Honorable James

Crawford Biggs, has been appointed Solicitor General of the United States, a post that has been held by some of the country's most eminent lawyers."

The only defense of political clearance ever offered by the White House was the oft-repeated suggestion that, in the emergency of 1933, there was no time for the establishment of Civil Service routine applicable to the new agencies. The point falls, however, before the fact that in the war-time expansion of the Wilson Administration the number of classified competitive positions in the federal executive service increased from 326,899 on June 30, 1917, to 642,432 on June 30, 1918—an increase of 315,533 merit places during one fiscal year.

By his own count Mr. Farley, between March 4 and September 28, 1933, removed 661 Civil Service postmasters before the expiration of their legal terms.

"We have received numerous complaints of presidential postmasters being asked to resign before the expiration of their appointive terms and being immediately succeeded by 'acting postmasters' for obviously political reasons," the National Civil Service Reform League reported on November 15, 1933. "Two letters to the Post Office Department for information as to the number so removed elicited the reply that these figures were not available, and that the labor involved precluded their being prepared."

No official source ever has revealed how many Civil Service postmasters thus were rooted out after ten to thirty years of faithful service. But congressional inquiry has established that, of several thousand new postmasters appointed during the fiscal year 1934, only twenty-five classified Civil Service

employees won appointments by advancement from the ranks. By way of measuring the intensity and thoroughness of this postal liquidation, Senate records show that 3,369 presidential postmasters were confirmed during 1935, as compared with 821 in 1932. Such was the "new moral climate" in personnel administration.

No branch of government, however remote from politics, escaped the spoilsmen's comb. In 1934 an informal committee of the House was delegated to survey the personnel records of the Library of Congress. When this shameless thrust at highly specialized professional categories aroused a particularly violent storm of public indignation, the plan to "houseclean" the Library was compromised in an agreement to create some 150 new jobs, without disturbing the incumbent professional personnel. The new berths were filled through political clearance.

In the case of the District of Columbia government, the patronage raid was a bit more subtle, and correspondingly more successful. It was discovered that President Hoover's executive order transferring the District personnel to Civil Service merely had *authorized* the adoption of the merit routine in that quarter. The ravenous Jobmaster General determined easily in 1934 that this order did not *require* competitive examinations. So the Washington city hall was housecleaned.

No system, of course, can work perfectly. Every so often the F.R.B.C. appointment turned out badly. On July 27, 1933, for example, Al Capone and twenty-two others were indicted in Chicago in connection with a union cleaning-and-dyeing bombing. In this legal dragnet with the already incarcerated Scarface was one Benjamin V. Squires. Three

hours after news of the true bills had flashed over the press wires Squires was located in Reading, Pennsylvania. He was engaged at the moment as Department of Labor conciliator in a hosiery strike.

By long usage one place on the police bench in the District of Columbia is reserved for a Negro. It often turned out, of course, that the available Negro attorney was a voter of Republican predilection. And such was the background of Justice James A. Cobb, incumbent on March 4, 1933. It took Mr. Farley twenty-seven months to find a qualified F.R.B.C. candidate in that part of the country. Despite strong recommendations for Justice Cobb's reappointment, from the District of Columbia Bar Association, the Colored Bar Association of Washington, the Women's Bar Association, and the Barristers' Club, Mr. Farley declined to assent to a new term. On April 22, 1935, President Roosevelt nominated Mr. Cobb's successor. The nominee's service record, as transmitted from Democratic national headquarters, concluded with the observation that he had been "active in civic and fraternal work, and worked for the Democratic national ticket in 1932." So Justice Cobb was housecleaned.

Commenting upon an earlier breath-taking judicial appointment, the New York *Times* remarked editorially on July 8, 1934:

> "Since Mr. Roosevelt became President he has had to fill several vacancies on the federal bench. In too many cases, the evidence appears to be conclusive that the appointments were largely political. . . ."

Mr. Farley did not hold the White House above the stratagems essential to political clearance, as witness the case of

Mr. Finch. In June, 1934, Professor B. W. Finch, Dean of the Mining School in the University of Idaho, relinquished his place to accept appointment by Secretary Ickes as Director of the Bureau of Mines. He presented himself at the Interior Department on July 2, only to learn that his commission had not arrived from the Executive Offices. Three days later it came along, unsigned. Penned across the face in a familiar hand was the notation, "Held up temporarily because of political objections by P.M.G." Delving into the professor's record, Mr. Farley had discovered, to his amazement and horror, that this prospective appointee had voted Republican in 1928! In the roar of editorial protest which followed disclosure of the circumstances surrounding his delayed commission, Professor Finch finally was appointed—but not before the spoilsmen's fight had been carried to the desk of the President of the United States.

No one can say where the political influence of a million federal office-holders ends. The patronage scandals of the Jackson era are an old wives' tale. But in Jackson's day there were only 150 federal pay-rollers to every 100,000 of population. Today we have approximately 750 federal employees for every 100,000 population. Whipped into a compact political organization, this would represent, on averages, one Treasury-paid election worker for every forty-five voters, the whole number of voters being roughly thirty-four per cent of the total population.

Yet the direct federal pay roll is only a part of the total national patronage and government benefactions. In May, 1940, the National Small Business Men's Association compiled from official records an exhaustive study of the federal patronage rolls, including every type of direct Treasury pay-

ment to individual citizens. This study disclosed 12,403,259 federal checks mailed during the month of January, in the aggregate amount of roundly $500-million, as follows:

Class of Payment	*No. of Persons*	*Amount (January, 1940)*
Administrative pay roll .	968,851	$148,000,000
Legislative pay roll . .	4,975	1,500,000
Judiciary pay roll . . .	2,433	750,000
Military pay roll . . .	294,763	23,900,000
Military pensions . . .	858,694	39,000,000
Civil pensions	50,442	4,200,000
Federal Public Works . .	319,613*	37,400,000
WPA	2,202,638*	110,000,000
CCC camps	293,692*	20,000,000
National Youth aids . .	758,354*	8,600,000
Old Age assistance . .	1,925,957	38,500,000
Dependent children . .	753,705	10,100,000
Aid to blind	46,087	1,100,000
Social Security death claims	285,744	16,600,000
Railroad pensions . . .	169,030	9,500,000
Farm aid payments . .	3,468,281	40,000,000
	12,403,259	$509,150,000

* Direct pay roll only.

These figures mean that approximately sixty cents of every dollar spent by the Treasury goes directly to some individual, for pay-roll service or federal assistance. In the judgment of Donald Despain, vice-president of the National Small Business Men's Association, as set forth in the published study: "The figures are taken from official reports and include only the direct recipients of regular monthly payments from the

federal government. They do not include approximately 1,700,000 officially reported relief cases supported by other public funds in the states and local communities. This expenditure from non-federal funds amounted to an additional $42,396,000 for January, 1940. Allowing for single persons in the various groups on the federal rolls, and after correction for those families receiving government checks from two or more sources [as where a family on WPA also may have a son in a CCC camp] we still find that the fabulous Washington pay roll contributes directly to approximately 26-million persons in some 11-million families. This means that every third family in the United States is being supported in some degree by a monthly check from the federal Treasury."

Contemplating these studies, we well may recall the words of John Stuart Mill: "To give profusely to the people, whether under the name of charity or employment, without placing them under such influences that prudential motives shall act powerfully upon them, is to lavish the means of benefiting mankind, without attaining the object."

In its fiftieth anniversary historical review in 1933, the United States Civil Service Commission recalled the apprehensions of discerning men in the Jackson period. "The spoils system, as it was officially described as early as 1835, was introduced, and extended until it permeated the entire civil service of the country and, in the opinion of leading statesmen, threatened to change completely the form of government."

On the occasion of Lincoln's first inauguration, continues this official history of the Civil Service Commission, "a large number of Republicans who desired post offices formed a

guard to protect the President from assassination, thinking that thereby they might obtain easy access to him, and so press their claims to the best advantage." William Dudley Foulke, in his classic *Fighting the Spoilsmen,* tells of Lincoln's having once pointed out a multitude of office seekers thronging the White House: "There you see something which in the course of time will become a greater danger to the Republic than the rebellion itself." On another occasion Lincoln remarked to Carl Schurz, his Secretary of the Interior: "I am afraid this thing is going to ruin republican government."

Twenty years after this warning, the merit system was inaugurated. It grew in strength and influence for fifty years. Where rampant spoilsmanship will lead us under the new order of bureaucratic plunder still is to be determined. If the federal pay roll can, of itself, swing an election, then Lincoln's prophecy will be demonstrated, and representative government soon will vanish from the earth.

"How can we hope to attain liberal ends by illiberal means?"

—SAMUEL B. PETTENGILL

CHAPTER THIRTEEN

"I Therefore Proclaim . . ."

DORMANT executive powers are the essence of the new bureaucracy. All our recent agencies of government were established under the pressures and slogans of "emergency," and in the hysteria of the troubled hour there could be no time, Congress was told, for such debate and historical exploration as might define precisely the scope and direction of the proposed new administrative authority. Often in recent years not even the nature and range of the emergency itself has been defined.

But since something apparently must be done at once in every emergency, however conjured, Congress often resolved the dilemma by the delegation of broad legislative powers and the investiture of sweeping administrative authorities under a "blank-check" law. In this blind and reckless haste scores of new agencies have been created, endowed with vast and loosely defined powers to regulate this or that field of economic life. Only as the ever-present impulses of bureaucratic growth gain head do the people awaken at length

to the ultimate scope and significance of the dimly remembered legislative act.

But then it is too late. Administrative commands and orders to cease and desist already are rolling from the Washington mimeographs, and the mere citizen has the choice of conducting himself accordingly or diverting his time, energies, and fortunes into a sort of *Jarndyce vs Jarndyce* in defense of what he once regarded as his inalienable and immutable rights.

One need but let his mind run back to the shocking bureaucratic excesses of NRA, AAA, SEC, and the NLRB, when powers and authorities undreamed of by the great body of citizens suddenly were hurled pellmell into the placid routine of ordered and unoffending lives. It had never occurred to America that a New Jersey tailor might be committed to jail for the crime of pressing a pair of pants at five cents under the code. But it happened!

Under dormant discretionary powers the unwitting criminal first hears of the law when the enforcing agent knocks at his door with the official citation, because the law does not, in fact, become law until it is invoked by presidential discretion, or some subsidiary executive decree. Until the moment of application it is merely a reserve power. In one celebrated case an officer of the Petroleum Administration Board appeared in Texas one fine day with the necessary executive orders in his hip pocket. He pulled them on his quarry like a pistol, and presto! a new law was upon the land—a decree which, as the Supreme Court of the United States noted formally in a stinging reversal, nobody ever had heard of, for the orders never had been published after the act of promulgation which called the dormant powers from hibernation.

Meanwhile, of course, the victim had been convicted. His vindication at the hands of the Supreme Court did not come for almost two years.

By these processes of delegated powers, the United States has written into the body of law, often one sentence or one paragraph at a time over the last seven years, the whole legal framework of dictatorship. Given a national emergency of compelling gravity, one-man government could be established in Washington overnight. Unmeasured discretionary powers, of which the people are wholly unaware, could be called to life by the mere scratch of a pen across a presidential proclamation. As related to certain possible types of national emergency, the texts of these proclamations always are at hand, ready for signature at a moment's notice.

Although the so-called emergency authorities generally are thought of as war powers, most of them need not necessarily lie dormant until a state of war actually exists directly involving the United States. Almost imperceptibly the legal and official concept of "emergency" has been broadened since 1933 to include not only war, but also "a *threat* of war, or a state of public peril or disaster, *or other national emergency*." That is the language of the Federal Communications Act of 1934—a wide open door to dictatorship in any situation which might be regarded by the President as a "national emergency."

Given the emergency, what then?

First, the Communications Act authorizes the President, in his own discretion, to establish an over-all censorship of radio broadcasting. This power extends, in the language of the act, to "the closing of any station of radio communication and the removal therefrom of its apparatus and equipment."

One step further, the same section of the act not only vests in the President power to forbid any or every broadcast, but specifically provides that the facilities of any station or stations may be commandeered for the exclusive use of "any department of the government, under such regulations as he [the President] may prescribe."

Here, in a single "sleeper clause"—one of thousands on our statute books today—we find the whole machinery for government management of public information and the suppression of all discussion and debate. This is the quintessence of dictatorship as we see it at work today throughout Europe and the Orient.

More astonishing, although this dormant power of dictatorship has been on the books for more than five years—and on several occasions has been invoked potentially by official threat—it is yet a reasonable assumption that ninety of the first hundred members of the House and Senate still would respond on a Gallup poll that no such authority rests in the White House today.

Sleeper clauses, or legislative "jokers," usually are accomplished by devious artistry of legal drafting in the executive departments. In voluminous bills, long-established sections of law may be amended by the insertion of the word "not" after the word "shall" in line 8, section 2, Title IV of an Act of 1892. Adopted in one House but stricken in the other, the amendment goes to conference, where perhaps a hundred other items of difference between the two Houses are to be composed. In the heated cross-fire and confusion of the conferences roughly half the sleeper clauses will carry and the other half be detected and stricken. Whatever the instant result, the attempt costs the author nothing—and it may give

him another "blank-check" power. For a man or cabal in quest of power, and with a Congress before them benumbed by emergencies and rumors of emergencies, what's the harm of trying a fast curve in every major measure? Such were the palace intrigues which aroused the nation at last to the extreme dangers of rubber-stamp legislation.

By the attempted court-packing *coup d'etat* of 1937, Congress was shaken to a new sense of caution and responsibility. But the prior damage never has been undone. No New Deal emergency ever has been declared officially at an end. Consequently, no one knows today the ultimate scope of discretionary executive powers in the United States. Some are to be found in obscure amendments of apparently negligible import. Others are scattered in sleeper clauses through thousands of new laws enacted since 1933. Still others are drawn, as occasion requires, from the forgotten laws of earlier emergencies. In the 1933 banking crisis, for example, President Roosevelt found his authority to close all banks in a long neglected section of the Enemy Trading Act of 1917, a law which most attorneys and all Members of the House and Senate thought had been repealed. Only a small fragment of it remained. It was a tenuous authority for so gigantic an undertaking as the complete suspension of banking. But it worked. Before the executive proclamation of March 6, 1933, could be challenged, this and every other presidential act of the post-inaugural crisis had been given blanket ratification by Congress, in the first section of the Emergency Banking Act of March 9. As related to the banking crisis, therefore, the question of authority may be moot. But the event illustrates the gossamer texture of many almost limitless blank-check executive powers, which today suspend a

sword of Damocles over the whole structure of constitutional government.

In a formal report to the Senate under date of October 5, 1939, Attorney General Frank Murphy listed dormant emergency powers from more than one hundred statutes, adding there were many others arising directly from the presidential powers under the Constitution, rather than from the statutes.

When may the President seize an industrial plant by the mere act of signing an executive proclamation? Citizens acquainted with the "due-process" clause of the Constitution might say never. But they ignore Section 120 of the National Defense Act, of June 3, 1916. Virtually every section of this law has been amended since the World War. But Section 120 never has been touched. It reposes in the President perhaps the most sweeping dormant powers ever delegated under the American constitutional scheme. Like the Communications Act of 1934, all its emergency powers may be invoked both in time of war, "or when war is imminent." No act of Congress is required to ratify the proclaimed imminence of war. That definition rests wholly with the Chief Executive.

Once the emergency has been proclaimed, orders for military supplies and equipment may be placed at a price "determined by the Secretary of War." Upon presidential command, all existing private contracts with the plant may be declared null and void. Compliance with the government specifications and delivery schedules "shall be obligatory on any individual, firm, association, company, corporation," and the order shall "take precedence over all other orders and contracts theretofore placed." In the event of unsatisfactory performance the President "is hereby authorized to *take im-*

mediate possession of such plant or plants," and to operate them. After the plant is seized, the owners are entitled to court trial on felony charges carrying maximum sentence of imprisonment for three years *and* $50,000 fine.

Exercise of these powers in time of actual war has been sustained by the courts, but no case yet has tested their application in lesser emergencies. Thus far they have been invoked only in war. But they remain available, awaiting only the proclamation of a president who might be disposed to invoke them in "measures short of war."

The degree of economic dictatorship encompassed in these powers was measured eloquently in the testimony of Bernard M. Baruch, Chairman of the War Industries Board, before the War Policies Commission in 1931. Reviewing the industrial regimentation of 1917-1918, Mr. Baruch concluded: "Had the war gone on another year our whole civil population would have gradually emerged in cheap but serviceable uniforms. Types of shoes were to be reduced to two or three. The manufacture of pleasure automobiles was to cease. Flaps from pockets and unnecessary trim in clothing would have disappeared. Steel already had been taken out of women's corsets." The dreadful virus which got into the American bloodstream in those unhappy days still infects all too many powerful minds among us.

Many of the discretionary presidential powers delegated by Congress since 1933 were granted under the implied promise they might never be used but were needed to fend off various calamitous developments. The executive power to change the gold content of the dollar has been used only in part. Authority to print $3-billion in Greenback currency never has been invoked; but the power for the paper moneti-

zation of silver at $1.29 per ounce has been employed in part. So has the power to lower tariffs through reciprocal trade treaties, plus the power to subsidize exports in international dumping operations. But the blanket power to close all security exchanges for as long as ninety days never has been invoked; and not until late 1939 was the 1935 authority to establish special customs-enforcement areas on the high seas called to life. Other dormant powers include authority to take over telephone and telegraph lines, railroads and other interstate carriers; to cancel maritime charters and requisition merchant ships of American registry; to take over all electric power utilities, and to suspend all banking operations of the Federal Reserve System. Measures introduced in Congress during 1939 and 1940 would clothe the President with additional discretionary emergency powers to fix wages and allocate production quotas in all industries; to determine the length of the work day and to transfer workers from non-essential to preferred occupations; to commandeer plants and sites, and to forbid production of all items deemed not essential in the emergency.

Another bill, on the Senate calendar only, would require the purchase of government bonds in fixed proportion to the net worth of each individual and corporation—a capital levy. Outlining his measure on October 22, 1939, Senator Josh Lee, of Oklahoma, was at pains to explain that no compulsory quota of government bonds ever would embarrass the selected purchaser. "In case the individual has difficulty in raising the ready cash, the bill provides that the Government may accept his note, bearing a commercial rate of interest and secured by his property, in return for the bonds. The Government may then convert this note into

cash, either by selling it or issuing money against it. Since the note would be amply secured, the money would be sound."

It has been observed many times in congressional debates that, while the dormant powers of the President may be invoked at will, none of the many legislative grants defines conditions which mark the *end* of an emergency. Thus, emergency powers called to active duty are without time limitations. They expire only when the President may elect to declare the emergency ended. This situation presents a headlong abandonment of the whole principle of checks and balances in governmental powers, the keystone of the American constitutional system. And the point assumes added significance in light of the fact that seventeen agencies of government created in the name of emergency between 1933 and 1936, since have been assigned by executive order as *permanent* functions under the President's delegated reorganization powers.

Indeed, the whole history of law and constitutions is that powers once attained are reluctantly, if ever, forsworn or abandoned. George Washington recognized this in his Farewell Message, wherein he warned of "that love of power and proneness to abuse it, which predominates in the human heart."

Franklin D. Roosevelt, as Governor of New York, also warned vigorously against the accumulation of ever larger powers in the central government. In his second inaugural at Albany, in January, 1931, he spurned publicly a petition that he assume summary powers over purely local concerns of cities and counties.

"I cite this," he said, "as an illustration of the present

dangerous tendency to forget a fundamental of American democracy, which rests on the right of a locality to manage its own local affairs—the tendency to encourage concentration of power at the top of a governmental structure, alien to our system and more closely akin to a dictatorship or the central committee of a Communist regime. . . . We have met difficulties before this, and have solved them in accordance with the basic theories of a representative democracy. Let us not at this time pursue the easy road of centralization of authority, lest some day we discover too late that our liberties have disappeared."

This quotation, in the light of Mr. Roosevelt's present catalogue of discretionary and emergency powers, appears to give substance to General Washington's solemn admonition to free men.

The dangers of our present situation are multiplied by the consideration that the nation has lived in an atmosphere of emergency almost constantly since 1933. On March 20, 1939, Congressman Bruce Barton called the attention of the House to the fact that during his first six years Mr. Roosevelt had referred to "emergency," "crisis," "disaster," or "national peril" not less than thirty-nine times in his proclamations and state papers. "This is at the rate of one new emergency every seven weeks for six years," Barton commented. "Is it any wonder the people are emotionally exhausted? Private industry cannot create jobs in an atmosphere of tumult and terror. Any national administration is entitled to one or two emergencies in a term of six years. But an emergency every seven weeks means plain bad management."

The language of Mr. Roosevelt's emergency proclamations follows a clear pattern. On March 4, 1933, he declared, "The

national emergency is still critical." On May 17 he alluded to "the gravity of the emergency." In March, 1934, "It is part of an emergency program." On June 9, 1934, ". . . prompt and vigorous action to meet the emergency." In October, 1935, the reference was to "a more potent danger at this moment to the future of civilization." In January, 1937, "We propose to meet this emergency . . ." On January 12, 1939, "I trust, therefore, that the Congress will quickly act on this emergency program." On February 8, 1939, "In view of the foregoing considerations, I report to the Congress that in my opinion an emergency exists." On March 4, 1939, "I feel impelled again to call the attention of the Congress to the very serious situation that exists." And on May 16, 1940, "These are ominous days."

Every emergency or crisis has brought its own appeal to Congress for some enlargement of executive power, dormant or active. Each emergency tends to imbed the habit of hasty or careless delegation. Every use of emergency powers establishes legal precedent for the enlarged scope of government by proclamation. And every encumbrance of the body of law by executive decrees entangles more deeply the fundamental individual securities of the Bill of Rights.

As was indicated by the Senate's 1939 demand upon the Attorney General for an enumeration of all presidential powers, the nation already has reached the point where the Department of Justice itself cannot define the ultimate scope of executive law.

This is the historic road to dictatorship. In a study of thirty-five dictatorial regimes since ancient times, Professor J. O. Hertzler of the University of Nebraska emphasized in an address before the American Sociological Society, in De-

cember, 1939, that "a dictator must always act as if an emergency existed.

"He must, and often does, manufacture emergencies to justify his own existence, especially in the form of war and war scares."

All of these present dangers to the American constitutional order flow from a central spring—the undue concentration of power in the executive. The history of mankind discloses but two types of laws. One begins, "We, the people, in Congress assembled . . ." The other pivots on the phrase of tyranny, "I therefore proclaim . . ." The two forms cannot function together. In the end the United States will have one or the other.

"In governing a great nation, do as you would cook a small fish—do not overdo it."

—CONFUCIUS

CHAPTER FOURTEEN

Keeping the Folks Informed

WHEN government undertakes to change the national habits and attitudes of a people, only a deluge of official education—"propaganda" if the material does not support your own ideas—can do the work. In Europe and Asia totalitarian governments are organized on the pivot of official intelligence. The people are given all the news that demonstrates the virtue of government, and denied all ideas which dispute official opinion. Every dictatorship uses the press, radio, picture screen, and pamphlet as instruments of national policy.

That bureaucracy in America is deeply infected by the same virus is illustrated by the vast expansion of informational services throughout the federal establishment during recent years. As Secretary of Agriculture Henry A. Wallace remarked in 1934 concerning the reciprocal trade program, "The degree of education and of propaganda required to make the great body of American consumers, rural and urban, stand firmly together for lower tariffs would have to be rather intense." Broadening this concept of official popu-

lar guidance to public opinion, Mr. Wallace explained that "a steadfast national allegiance to any fixed course, domestic or international, requires a certain degree of regimented opinion."

The Office of Government Reports, created by presidential executive order in April, 1939, established in the United States for the first time a permanent, peace-time central bureau of public information. This agency, recommended in 1937 by the President's Committee on Administrative Management, unifies under single-headed control within the White House, the most elaborate, extensive, and costly system of official publicity ever maintained within the structure of representative government. Historically, the office of Government Reports was established in July, 1933, as the Executive Council, directed to co-ordinate conflicting and overlapping phases of the NRA, AAA, and PWA programs. In October, 1933, the name was changed by executive order to the National Emergency Council, which then established official news distribution centers and political "listening posts" in each of the forty-eight states. By a third executive order in 1939, the entire NEC was transferred to the White House as an appendage of the President's personal staff. Its authority censors and co-ordinates the output of a few more than four hundred full-time publicity writers in the federal agencies. Salaries in these services range from $3,600 to $12,000 a year. Prior to 1933 Washington's roll of government information officers numbered sixty-eight.

A mimeographed bulletin circulated throughout the Executive Branch summarizes current news and editorial comment from 350 daily newspapers. "The permanent file of clippings, which has been maintained since October, 1933, and now

includes over four-million clippings, is available for use by Members of Congress," said a circular from the Division of Press Intelligence, under date of May 14, 1940.

Since its inception, this central information agency has operated with funds allocated by the President from relief appropriations; yet never have these and similar purely administrative expenditures from relief funds been included in official tabulations of the "administrative overhead" of WPA. In this aspect, the Office of Government Reports is a typical illustration of how vast "new instruments of public power" are called into being by presidential executive order, sustained by funds appropriated by Congress for other purposes, and gradually expanded and shifted until they become mere political agencies of the White House.

When the House Committee on Appropriations set down the policy in the third session of the Seventy-sixth Congress (January, 1940), that such agencies would not be supported by congressional appropriations until formally created by act of Congress, the President indicated in a press conference that he would continue the needed executive-order agencies with allocated relief funds. Under this edict the United States is equipped today with that modern institution known everywhere in Europe as the Ministry of Propaganda.

During the fiscal year 1938 the Department of Agriculture carried 162 employees in its Office of Information. Five federal agencies maintained press representatives in every state—the Department of Agriculture, HOLC, National Emergency Council, WPA, and FHA. During the year WPA employed thirty-seven persons in its Washington information section. The 1936 relief bill authorized salaries aggregating $75,500 for this service, plus $346,179 for "printing, binding, mimeo-

graphing, multigraphing, and engraving." In addition, WPA sustains an average of 7,000 persons engaged on writers' relief projects throughout the country.

From all these typewriters flows a mighty stream of official intelligence expressly created for public consumption. All of it is prepared with a view to presenting the originating agency, through the press and radio, in the best possible light. Nor is it a reflection upon the integrity of any individual involved to say that the very scheme of organization in these publicity bureaus tends daily toward the suppression of matters which project departmental policies in other than a beneficent light.

In June, 1937, the Brookings Institution reported to Congress that during a three-month period that year government press offices in Washington released 4,794 newspaper articles, distributing a total of 7,139,457 copies, or an average of 95,210 copies for every working day. In one calendar year five agencies which distribute free picture matrixes spent $33,000 for that service. During its first troubled year, NRA issued 5,991 press releases!

During 1939, federal information offices served some 3,335 organized mailing lists, carrying 3,820,000 names for direct-mail distribution. This means that more than every tenth family in the country is on some government mailing list. In addition, the AAA Soil Conservation Service, through its state extension offices, maintains direct bulletin contact with roundly 3.5-million farmers, or more than one-half the individual farm families in the United States.

Despite its passion for statistics and reports, the federal government never has permitted a comprehensive study of its sprawling activities in public enlightenment. Scattered in

every department and agency, this personnel often is carried under concealing titles, with salaries charged against routine administrative items. In many instances Congress itself does not know, when it has finished a department appropriation bill, how much actually has been authorized for information services. When Senator Byrd's special Committee on Reorganization, in 1937, sent out questionnaires to all bureaus seeking details on publicity expenditures, several agencies failed to reply. WPA, which maintains one of the largest information staffs in Washington, refused repeatedly to answer Senator Byrd's questionnaire. Thus, the only factual material available today is that culled from House hearings, annual reports, and the occasional chance revelations of the budget summaries. The sweep of the recent expansion is measured fairly, however, by the tremendous increase in franked governmental mail since 1933.

Departmental free mail reported by the Post Office increased from an *annual* average of 43,131,503 pounds during the fiscal years 1930-1933 to an annual average of 87,167,631 pounds for the years 1933-1937. For 1939 this volume was 93,474,960 pounds, a new high for a non-election year.

Lost postal revenues on this departmental free mail, as reported by the Postmaster General, averaged $10,675,319 a year for the fiscal years 1930-1933, and $29,712,270 annually during the next four years. For 1939 alone lost postal revenues were $38,231,125.

The report of the Post Office shows 669,352,068 pieces of free departmental mail handled during the fiscal year 1936, and 970,764,376 for 1939—the latter an average of twenty-nine pieces for every family enumerated in the 1938 census estimate. The official count for 1932 was 319,890,040 pieces.

As measured in free postal services, this sort of government mail, which does not include the mail of Congress, has expanded roughly four times since 1932.

About the same story is told in the successive annual reports of the Government Printing Office, which produces practically all of these mountains of federal guidance. In the six years ended 1939, Printing Office production increased from $12,941,000 to $18,238,000, or forty-one per cent. As of January, 1940, the Printing Office employed 5,544 persons, and occupied 1,374,281 square feet of floor area. The paper bill alone was $2,081,064 for 1933 and $5,464,234 for 1939—90,725,000 pounds for the latter year. This figure checks roughly with the 93-million pounds of free departmental mail reported by the Post Office.

These operations cover the bulk of government printing, but by no means all of it. The departments are authorized to spend $2-million a year for special work in private establishments; and the Bureau of Engraving and Printing, in the Treasury, produces all postage stamps, currency, internal revenue stamps, and treasury checks. Expenditures of this Bureau for the fiscal year 1939 were $13,628,942.

Consolidating the two printing items plus administrative expenses, and adding the outside production of $2-million, we arrive at a total expenditure of $35.8-million a year for federal printing, or approximately $3-million a month. To this must be added another $3-million monthly for lost postal revenues.

Following a careful cost accounting system, the Printing Office charges every item of production to some department or agency. For the fiscal year 1939 the total bill for Congress—including the *Congressional Record,* committee

reports, bills, resolutions, documents, and hearings—was $2-million. The Post Office was next with $1,881,000; Treasury, $1,521,000; Agriculture, $1,447,000, plus $538,000 for the AAA, $158,536 for the Farm Security Administration and $104,424 for the Farm Credit Administration—a total of $2,447,960 for agricultural administration; Interior, $861,-599; WPA, $817,902.

The following table, which shows the number of publications printed for the various departments and agencies during the fiscal year 1939, indicates on a relative scale the scope of various federal activities in the field of public information and education:

Agency	*Publications Printed 1939*
Agriculture	28,780,332
AAA	20,786,021
Superintendent of Documents	15,567,419
State	9,624,179
Labor	9,545,285
War	8,529,191
Federal Housing Administration	4,260,461
Congress (House and Senate)	4,203,350
Navy	3,435,888
Commerce	2,885,937
Treasury	2,842,939
Interior	2,704,383
Social Security Board	2,220,694
Interstate Commerce Commission	2,037,343
Works Progress Administration	1,608,045
Farm Security Administration	1,294,556
Rural Electrification Administration	1,228,842
Farm Credit Administration	1,185,153
National Emergency Council	777,556
National Labor Relations Board	564,425

All other agencies distributed fewer than 500,000 publications each. But the total for all agencies was 130,770,510, only 21-million of which were sold on cash order. Total sales for the year were $928,459. The remainder of the Government Printing Office production—roundly $17.3-million—was for official use and free distribution.

All branches of agricultural administration distributed more than 52-million government publications during 1939, or about eight for each of our 6.7-million farms.

The 1940 beginning inventory of the Superintendent of Documents was 8,076,000 publications, comprising a few more than 65,000 titles.

The ultimate measure of federal education is paper consumption at the Government Printing Office. The annual *average* for the four fiscal years 1930-1933 was $2,837,000, against an average of $5,631,000 for the four years 1936-1939.

Many people feel they could get along with less federal enlightenment if taxes were not so high and deficits so alarming.

Federal motion pictures and radio also help in keeping the citizen abreast of the times. As of February, 1939, there were 539 government films available for free exhibition in schools, churches, clubs, lodges, and civic associations. In October, 1936, the National Archives catalogued more than 15-million feet of film controlled by seventy-six federal agencies, and the WPA production schedule for 1937 called for thirty pictures, at an average cost of $6,000. At least one of these was produced by the costly Technicolor process.

Since the spring of 1935 certain government films have been booked free, at the option of the local exhibitor, through the regular commercial exchanges. In July, 1936, Professor Tug-

well's Resettlement Administration reported that its first five-reel feature, *The Plough That Broke the Plains,* had been exhibited before 18-million people. In August of the same year, *We, the People, and Social Security,* the first Hollywood venture of the Social Security Board, was reported in a leading trade journal to have figured in "the most extensive distribution of motion picture films ever undertaken by a government agency."

Agriculture's 1937 two-reel sound release, *The Salt of the Earth,* portrays the farm as "the basis of our civilization," and lauds the American farmer's contribution to the national wealth and his place in "the body politic." WPA has a recent five-reel sound release styled *Work Pays America,* "showing representative WPA projects, in construction, public health, education, and arts." Since 1939, all film releases clear through the United States Film Service, a division of the Office of Government Reports.

Government education by radio is in a relative infancy, but its steady expansion is marked readily by the selective listener. The most elaborate and lavishly equipped studio in Washington is the Interior Department's experimental plant, managed by the Office of Education. Maintained entirely by departmental funds, this studio broadcasts chiefly educational programs supporting the Administration viewpoint on pending legislation in Congress. The same facilities are not available to those who oppose Administration policy.

Far more influential as an instrument for the formation of public opinion favorable to government policies is the radio section of the Department of Agriculture. Outlining this work before the Appropriations Committee of the House on February 9, 1939, an officer of the Department related that

the various agricultural programs used about 120,000 hours of radio time a year. This time was donated by 294 stations in one series and 256 in another. The Office of Information also prepares or supervises the preparation of 1,700 press releases and 3,000 radio manuscripts a year. It publishes an average of 1,400 technical and popular manuscripts and supplies a weekly news sheet to 3,500 newspapers. Salaries and miscellaneous expenses for the Department's Office of Information were fixed at $385,440 for 1940, plus an item of $1,159,970 for printing, binding and mimeographing. The Department buys no radio time, but the national networks are always available to its highest officers for timely speeches on legislative or political topics. On one of the Department's ninety-five-station hook-ups, Secretary Wallace began an address October 7, 1938, with the sentence, "More than a hundred times in the past five years I have reported to this nation-wide audience on the work being done by the Department of Agriculture." There followed a ten-minute speech extolling departmental policies in the most glowing terms. But no critic of Mr. Wallace's policies ever has had so much as one minute of time on this free ninety-five-station chain.

During the summer of 1936, a presidential campaign year, WPA supplied additional weekly radio features to 209 stations—another governmental activity paid for directly from relief funds. Regularly scheduled radio series also are managed by the Departments of Commerce and Labor.

All of this recent expansion of federal activities bearing directly upon the formation of public opinion has excited wide discussion. In May, 1935, several years before these statistics were available in the public record, Dr. E. Pendleton Herring, a member of the Department of Government

faculty at Harvard, presented his conclusion: "Never before has the federal government undertaken on so vast a scale and with such deliberate intent, the task of building a favorable public opinion toward its policies." At about the same time Mr. Elisha Hanson, Washington counsel to the American Newspaper Publishers Association, summarized his observations on the expanding New Deal information services with the statement: "For the first time in their history, the American people have seen their government turning to propaganda in myriad forms to win their favor and keep their support." Reflecting the view of the active daily journalist in the Capital, Mr. Arthur Krock, chief of the New York *Times* bureau, wrote in April, 1937: "The wish to hamper the American press in its conception of itself as the eyes and ears of the public has been so persistently revealed in New Deal Washington that the newspaper profession is acutely sensitive to any suggestion of restriction."

Reviewing this discussion of official news, which now has been gathering head for five years, we are confronted by a problem which reaches to the roots of representative government. "Can one speak of government by consent," asks Professor Herring, "when this consent is manufactured by official press agents?"

Reputable editorial opinion agrees upon two hallmarks of government propaganda. The first is misstatement of fact, which includes the technique of "truthful evasion" to misrepresent a situation or policy. The second is harsh invective and bitter emotional appeal against the opposition, aptly described in newspaper jargon as "the smear campaign."

A striking example of official misstatement of fact is found

in President Roosevelt's emergency defense message to Congress on May 16, 1940, wherein he said of air bomber distance, "Tampico is two and one quarter hours to St. Louis, Kansas City and Omaha." First, there is no point on the globe equidistant from all three of these widely separated cities. Second, the distance from Tampico, Mexico, to the nearest of the three is approximately 1,300 miles, or a minimum of six hours flying time for service bombers. The President's statement presumed a sustained flying speed of 533 miles an hour, or considerably better than twice the then maximum cruising speed of military bombers. Mr. Roosevelt's hasty statement spread unnecessary fears and alarms throughout a wide territory; which in turn, was interpreted generally as serving a clearly defined policy—to arouse the inland states to the changed conditions of warfare. However proper the policy, in one view of governmental responsibilities the device of official misrepresentation of fact remains a debatable procedure.

In the progress of European dictatorships since the '20's there has emerged a rather uniform pattern in the movement toward control of public opinion. In this sequence the policy normally develops through four overlapping phases. The first is distinguished by a redundance of strong supporting material extolling government policies and aims. As the inevitable resistance to regimentation mounts, the clamor of opposition becomes more insistent; whereupon the second phase is characterized by a pronounced official resentment of all criticism. Next comes indirect censorship, by the suppression of fundamental news in the half-lights of bureaucratic routine. At this phase reports and surveys unfavorable to current policies simply are filed, and no questions an-

swered. The last phase brings positive measures of formal governmental control over the channels of news dissemination, a step which marks the full flower of managed opinion. At this juncture we hear the piping bellow of Dr. Goebbels proclaiming to Germany on June 25, 1934: "The right to criticise belongs to the National Socialist Party. I deny anybody else such a right. The right to criticise is exercised by the National Socialist Party to a sufficient extent."

The enormous historical significance of the world's recent drift to canned news is summarized forcefully by Carl W. Ackerman, Dean of the Graduate School of Journalism in Columbia University. Reporting in July, 1937, on a six-month survey of public opinion in Europe, Dean Ackerman said: "The line of demarcation between nations dominated by a war psychology and those still subject to the psychological element of peaceful ideas is between managed public opinion and the free exchange of information. No one can cite a single exception."

Almost on the day that Dean Ackerman's report came off the presses the National Editorial Association assembled in Detroit for its annual convention. Addressing this gathering, Mr. J. G. Stahlman, President of the American Newspaper Publishers Association, sounded the grave warning: "Unless the press of America fulfills its high mission in the days that are ahead we, too, will find that we have gone the way of the rest."

Accumulated protests from the broadcasting industry over a period of six years have resulted recently in vigorous congressional demands for amendments curbing the government's assumed censorship authority over radio programs. The 1934 revision of the radio act required renewal of

broadcasting licenses every three years, but the Federal Communications Commission then prescribed renewals every six months. This executive rule gave the FCC a tremendous leverage for keeping discussion programs in tune with federal policies. At the same time it served to check appeals against all FCC decisions. As one radio station operator explained before the Senate Committee on Interstate Commerce: "The technical right of appeal still remains. But nobody can afford to exercise it. . . . No man with an investment of $200,000 to $300,000 in a radio station can risk non-renewal of his license."

In April, 1933, Postmaster General Farley sponsored appointment of Herbert L. Pettey as Secretary of the Radio Commission. Mr. Pettey had been Director of Radio for the Democratic National Committee in the 1932 campaign. On August 14, 1933, the Commission issued a formal order demanding aggressive radio support of the NRA program. "It is the patriotic, if not the bounden and legal duty of all licensees of radio broadcasting stations to deny their facilities to advertisers who are disposed to defy, ignore or modify the codes established by the NRA," this rule said. "Under the Radio Act the Commission has no right of censorship. However, the Commission has the right to take into consideration the kind of programs broadcast when licensees apply for renewal. . . . During the World War those who refused to do their part were termed 'Slackers'—a term of contempt. Those who refuse to aid the government in this critical time in its war against depression should be placed in the same category. . . . It is to be hoped that radio stations, using valuable facilities loaned to them temporarily by the government, will not unwittingly be placed in an embarrassing position be-

cause of the greed or lack of patriotism on the part of a few unscrupulous advertisers." Such incidents illuminate the timeless wisdom of the Elder Pitt in his observation: "Necessity is the plea for every infringement of human freedom. It is the argument of tyrants and the creed of slaves."

Another personal appointee of the Postmaster General was placed in charge of the FCC's Broadcast Division, recognized in the industry as "the policeman of the air."

During the 1936 presidential campaign Senator Arthur H. Vandenberg, of Michigan, arranged a fifteen-minute national hook-up late in October, in which he quoted some of Mr. Roosevelt's prior speeches by transcription, interjecting his own observations and comment. The program was duly announced and begun over the coast-to-coast chain. Then the telephone wires from Washington began to sizzle. Within two minutes, station after station began to fade off the chain, each interrupting its own program to announce that transcriptions of this sort might be held a technical violation of FCC regulations. Before ten minutes of the period had elapsed, more than eighty per cent of the stations had choked off the broadcast. Such complete and speedy federal censorship of campaign utterances had not previously been imagined within the industry.

But on June 2, 1940, after the White House, Congress, and the FCC had been petitioned to forbid broadcasting of the Communist Party's national convention in New York, the Commission ruled formally that it had "no authority in any manner whatsoever" to intervene against the broadcast. A spokesman for the FCC explained this ruling by the statement that the federal authority "can't put anybody on the air and it can't take anybody off the air."

Addressing a Town Hall luncheon in New York on April 28, 1938, David Sarnoff, President of the Radio Corporation of America, traced the growing tendency of indirect federal censorship through regulatory powers. "We have but to look to the autocracies of Europe to see what such governmental control of broadcasting may mean. When the dictator stands before the microphone, the citizens are regimented before the loudspeakers."

In amazing degree, the FCC has governed broadcasting policy by the assumption that the decisions of the President should be held above public criticism. In no case have the radio chains made available to opposition speakers the same hook-ups arranged promptly for the President. When comparable chain arrangements were requested by opponents of the Roosevelt court-packing proposal, the broadcasting companies responded they could not interrupt their commercial schedules save upon the *demand* of the President. When circumstances compel the President to speak in the day hours of small radio audiences, the chains re-broadcast transcriptions on the crowded night periods, displacing news broadcasts with the presidential recordings. Only the President ever has commanded a short-wave re-broadcast of his speeches in eight foreign languages.

American tradition emphatically rejects the position that the President is above public criticism. As Andrew Jackson put it in a message to the Senate on April 15, 1834: "The President is also accountable at the bar of public opinion for every act of his Administration. Subject only to the restraints of truth and justice, the free people of the United States have the undoubted right, as individuals or collectively, orally or in writing, at such times and in such language and form as they may think proper, to discuss his official conduct

and to express and promulgate their opinions concerning it." Theodore Roosevelt supported this view in 1916, when a great national debate raged concerning the relations of the United States with the World War. "At the outset of my speech," said T. R. at Louisville, October 18, 1916, "I wish to point out that the doctrine, now often advanced, as to the impropriety of criticizing the President, without regard as to whether the criticism is or is not just, has no warrant either in history or on ground of public morality."

By a summary order of March 23, 1940, the FCC halted the general application of commercial television broadcasting, as previously authorized, because of "the fluid state of the art." The chairman of the FCC then commanded a nation-wide hook-up, in which he advised the audience not to buy television sets, because they soon might be outmoded by technological advances. Thus, after twelve years of costly experimentation had brought television to the point of general application, an arbitrary bureaucratic ruling decreed abandonment of the development program pending further study and hearings. A whirlwind of public indignation greeted this summary action, but the order was not withdrawn. The significance of the incident was presented forcefully by Mr. David Lawrence in the observation: "Congress never delegated such authority to the FCC, but assumption of power is the habit of governmental commissions nowadays. Congress has not yet waked up to the fact that it is no longer the law-making body."

Persistent efforts in Congress to enact amendments specifically outlawing the FCC's assumed powers of censorship have encountered vigorous White House resistance, with the result that bureaucracy's domination of broadcasting today threatens the great American heritage of freedom of speech.

"That which yesterday was the object of extravagant desires has today become a matter of course, and by tomorrow will be a state of distress calling loudly for help."

—OSWALD SPENGLER

CHAPTER FIFTEEN

Relief in the Precincts

As OLD bureaus expand, the growth pattern of the new ones becomes easier. New agencies usually are manned by experienced bureaucratic personnel drafted from the older, and these "pioneers" know the obstacles to be circumvented in Congress and the Budget Office. This forced-draft growth is portrayed impressively in the development of the gigantic structure reared in the new area of federal relief.

Home relief and public assistance has become in the short space of seven years the most extensive and costly function of government in the United States. Expenditures in this category during 1939—state, local, and federal—were a little more than $4-billion, or approximately twenty-two per cent of all governmental expenditures. Relief functions cost twice as much as all public education, and three times our recent average outlay for both Army and Navy, including new armaments, planes, munitions, and military stores. At the current level our United States Postal Service could be operated for

five years on the 1939 relief outlay, and there would still be a balance of almost $300-million.

For the seven years 1933-1939, total relief and assistance expenditures from public budgets in the United States, as reported officially by the Federal Security Agency, were $19.5-billion, exclusive of administration costs, materials, equipment, and supplies.

Every penny of this outlay came from public borrowing. The total, which does not include farm benefit payments or agricultural credit subsidies, is greater than the value of all assets owned by the ten largest life-insurance companies in the United States. These ten companies, at the beginning of 1939, had 89-million policies in force. Stated another way, public assistance expenditures in the seven years 1933-1939 were enough to reproduce at current prices the entire railroad system of the United States—every mile of track, every bridge and tunnel, every shop and terminal, and every piece of rolling stock.

Following the normal curve of bureaucratic growth, the federal burden of public assistance has increased steadily from $2.6-billion in 1935 to $3.5-billion for 1939. Relief and assistance agencies of the federal government at January 1, 1940, employed more than 42,000 administrative personnel, and co-operating agencies in the states and cities employed some 15,000 additional.

This amazing structure has been reared upon the economic theory that the whole is greater than the sum of the parts—that the federal government could somehow carry a financial load three or four times the combined burden accepted by the forty-eight states. This Santa Claus illusion has been sustained for almost a decade solely by the accumulation of an

alarming federal debt. How much longer it can be supported is a question of grave national concern. Whatever accounting devices may be adopted, this cost will be paid in the end by the citizens of the several states, who thus far, in large measure, have been deluded by specious assurances from Washington that the Federal Treasury, by some new magic, had taken over ultimate accountability for local relief.

Establishment of this vast new area of our federal bureaucracy has been marked by three developments challenging the safety and security of constitutional government—first, shocking political manipulation of relief funds for narrow partisan advantage; second, profligate extravagance in constructive undertakings, due to incompetent "patronage" supervision; and third, demoralizing employment of men and women upon wholly futile tasks in the broad realm of "boondoggling"—counting trees, bees, and telephone poles, surveying the seasonal movements and habits of Chesapeake Bay oysters, or cataloguing the tombstones of Chickamauga and Gettysburg.

Many reputable authorities in social welfare have surveyed these corroding influences at work in federal assistance, and some have published the conclusion that, given honest and competent administration by local authorities, the whole relief expenditure since 1933 might have been halved—and that without having deprived any bona-fide needy case of the full amount actually received from public funds over the period. This conclusion charges bluntly that half the relief appropriations have gone for public assistance and the other half for bureaucratic squandering, incompetence and bald political racketeering.

In the Capitol at Washington are some two-hundred filing

cases of exhibits and testimony gathered by House and Senate committees, which go far toward demonstrating this conclusion. Much of this material, however, never has been made available for non-official inspection. But in summarizing some five hundred pages of evidence released for publication, a Senate investigating committee reported formally on January 3, 1939, that "there has been in several states, and in many forms, unjustifiable political activity in connection with the work of the Works Progress Administration in such states. The committee believes that funds appropriated by the Congress for the relief of those in need and distress have been, in many instances, diverted from these high purposes to political ends."

Abandoning the balanced legalisms of formal parliamentary conclusions, Senator Burton K. Wheeler, of Montana, presented his own views more pungently on October 13, 1938, after an extended political tour through the West as an observer of the ill-fated Roosevelt "purge" campaign. Said Senator Wheeler:

> "The workers on WPA are dissatisfied, because they see so many politicians being appointed to white-collar jobs, and they see WPA used as a political racket. . . . Everyone wants to see those in need, and who want jobs, taken care of. But to use the people's money to build up a political machine and to play politics with destitution is morally wrong and will not be long tolerated by the American people."

Representative of the general scheme of political assessments imposed upon WPA workers is a letter from the Chairman of the Indiana County Democratic Committee,

Indiana, Pennsylvania, taken from the *Congressional Record* of May 8, 1936. The text presents a sharp demand for a prompt political remittance from a woman then employed in a WPA sewing project:

"Dear Madam:

"I am very much surprised that you have not responded to our previous letter requesting your contribution in the amount of $28.08, to Indiana County Democratic campaign committee, as I was sure that you appreciated your position to such an extent that you would make this contribution willingly and promptly. I must, however, now advise you that unless your contribution in the above amount is received promptly, it will be necessary to place your name on the list of those who will not be given consideration for any other appointment after the termination of the emergency relief work, which, as you know, will terminate in the near future.

"Please make your check payable to ——, treasurer, and mail the same to her at 402 Indiana Theater Building, Indiana, Pa."

Two months earlier a WPA administrative assistant in West Virginia had written to one of the county administrators:

"I hand you herewith a list of doctors in Ohio County. Kindly separate Democrats from the Republicans and list them in order of priority so that we may notify our safety foremen and compensation men as to who is eligible to participate in case of injury."

After the lists had been compiled by the county administrator they were distributed to the safety foremen with the

notation: "Democratic doctors listed on the left hand side and Republicans on the right."

Within a month of this naïve classification of medical proficiency in West Virginia, a young man who had applied for assignment as physical education instructor at a New Jersey CCC camp received the following letter from the regional officer in charge:

> "In reply to your letter of April 22: as stated in my letter of April 8, this office is unable, under binding federal instructions, to consider any nontechnical man for appointment to the supervisory work in the CCC camps unless his name is certified to us on the so-called advisors' list from Washington.
>
> "This is the list of names submitted by Senator —— and Democratic Representatives in Congress from New Jersey to the federal administration for employment in this CCC activity. The only way in which you can put yourself in a position to secure employment, therefore, is by making arrangements to have Senator —— or one of the Democratic Congressmen request that your name be put on this advisors' list."

Through state legislative inquiries, through criminal proceedings in the state and federal courts, and in congressional hearings on seven major relief bills since 1933, specific charges of political manipulation in relief have been aired in the public records from no less than forty-two states. Whatever the alphabetical designation of the relief machinery, the political mobilization has been equally prompt and pervasive.

CWA (the Civil Works Administration) was a short-lived predecessor of WPA. Set up in mid-November of 1933, this agency had spent $719-million by April 1, 1934, when

it was wrecked by the sheer weight of precinct spoilsmanship.

Before the venture was a month old, the Department of Justice was investigating charges of maladministration and fraud in eight states, and the Secretary of the Interior had assigned a special detachment of his PWA investigators to check reports of CWA graft, conspiracy, and collusion in thirty-four other states. Before February 1, 1934, the original administrative officers had been displaced in three metropolitan centers, their work turned over to Army engineers. At this point, an average of $70-million *a week* was being spent by a hastily reared and inadequately supervised national organization which carried roundly 9,000 federal disbursing officers throughout the forty-eight states. Each disbursing officer had a money quota fixed in Washington. His orders were simply to spend—quickly! It was a financial field day for bureaucratic remote control.

All this came about very suddenly. Early in November, 1933, Federal Relief Administrator Harry L. Hopkins was summoned one morning to the White House. He told the Appropriations Committee of the House of Representatives on January 30, 1934, of his talk with President Roosevelt: "The President decided to start Civil Works. He told me to put 4-million men to work. We decided to take 2-million men from the relief rolls and 2-million from among the self-sustaining unemployed."

Accordingly, CWA was established by Presidential Executive Order No. 6420-B, signed November 7, 1933. Whipping the existing state relief organizations into a new emergency agency, Hopkins launched the first works program on November 15. His job, as he later described it before the

House Committee, was "to put 4-million men to work in thirty-five days."

This hasty organization of the program was responsible in large measure for the rampant corruption which bogged the administrative machinery from the outset. Almost immediately there flooded into Washington vigorous protests against the CWA pay scales. Men were leaving part-time employment at twenty-five cents or twenty-eight cents an hour to join CWA at thirty cents. Still within the month, congressmen received complaints that in sections of the South, CWA actually was outbidding industry for seasonal workers. Next came evidence of political interference in CWA placements, followed by a deluge of complaints against prodigious spending for equipment and supplies. Before mid-December, for example, more than 100,000 first-aid kits had been purchased for CWA on a contract placed through the personal intervention of the White House.

By January 25, White House officials acknowledged that critical letters concerning CWA were averaging two hundred to three hundred a day. Two blocks to the west, Mr. Hopkins' mail of protest was approximately 2,000 letters a day.

The first federal action against political erosion was announced on November 23, when CWA was but a week old—an inquiry into charges that the Youngstown, Ohio, director had "advised Democrats who want relief jobs to register at the City Employment Bureau, and then take their cards to Mr. Kearney, Clerk of the Board of Elections."

On December 14, when CWA was a month old, Mrs. Bulah Croker, widow of the celebrated Tammany leader, resigned as chairman of the local board for Palm Beach,

Florida. "This thing has developed into the biggest graft in the country," she said in explaining her resignation. On December 21 an investigation in San Francisco adduced testimony that 104 women engaged in CWA work had obtained employment under placement contracts calling for thirty per cent of their earnings.

A CWA supervisor in Chelsea, Massachusetts, appointed himself to a job at fifty dollars a week, and on December 23, Mr. Hopkins was advised formally that a city councilman in Wheeling, West Virginia, was drawing thirty-three dollars a week as CWA administrator.

In the sixty-day period following November 16, Los Angeles County had three successive regional administrators. Harrold English, the third, was installed on January 16 and resigned on January 26. In a newspaper statement he said he resigned because he had "found it impossible to improve conditions, because of politics within and without." When, a week later, an Army engineer was placed in charge at Los Angeles, he found several thousand men assigned to road work without either picks or shovels. All day long, other groups rode from town to town in trucks, searching out odd jobs which could be managed without tools or equipment.

A newspaper survey of the Philadelphia situation as of January 19 was headed—"CWA SEEN AS POLITICAL PARADISE."

On January 21 two men were arrested in Grant County, North Dakota, on federal warrants charging fraud. The United States District Attorney thus summarized his investigations of CWA in that state: "In a number of counties, three, and even four members of a family, have been given

work, while other families in dire distress have been ignored. Supporters of one political faction of the state are, in many instances, given exclusive preference and, ofttimes, where they are not classified as needy."

On January 23 a special assistant attorney general in the Department of Justice was assigned exclusively to supervision of CWA investigations and prosecutions.

In Bonner County, Idaho, the administrative unit originally approved by the state board consisted of the three elective county supervisors, all Democrats. The manager of the Boise employment office soon reported to a Member of the National House: "Naturally Democrats are given preference for supervisory posts."

On January 25 two supervisors on white-collar projects were arrested in Washington, D. C., on testimony that they had collected money for "higher efficiency ratings." On the same day, the president of the Democratic Club of Maryland pleaded guilty in Baltimore to an indictment charging him with having collected $450 from thirty-nine unemployed, on promise of CWA jobs.

On January 29 Mr. Hopkins discharged the entire administrative board of Colorado. It had approved a project to audit the books of the municipality of Denver. The supervisor of the project was under contract to receive a fee from the city, CWA to supply the bookkeepers and clerks.

On January 31 the Department of Justice initiated criminal actions in three cases in Kentucky and one each in Maryland, Arkansas, and Indiana.

In Boston, early in February, a woman told the grand jury she had paid eight dollars and promised ten dollars more for a CWA job.

A deputy state administrator in Illinois left the Capitol in Springfield on February 6 to investigate a $533,000 sewer project at Harvey, near Chicago. As he left the State House, he told a group of newspapermen, "That job at Harvey is beginning to smell."

Under the original plan, the regional disbursing officers were authorized to audit all purchase vouchers with a view to checking the reasonableness of prices. Under an emergency regulation promulgated by Administrator Hopkins on February 15, as a move to hasten payments for equipment purchases, the regional auditors were released from "the responsibility of questioning or determining the business judgment exercised in the matter of price or quality on purchases made prior to February 15." A direct result of this order came to light in Michigan. Up to March 3 the largest number of disbursement vouchers received from Lansing in a single day had been 395. But on Monday, March 5, the day's approved purchase vouchers numbered 900!

A federal inquiry into CWA trucking in Baltimore disclosed, on March 7, that of 282 trucks operating in CWA work, only eighty-two were insured by firms not controlled by Democratic state or city officials.

In Providence, Rhode Island, the Democratic committeeman for the Fifth Ward was found on the CWA rolls at forty dollars a week. He had been employed steadily for several years as a night bus driver on the United Electric Railway. He was dismissed from the CWA on March 6. Since early December, he had driven the bus at night and worked CWA by day. At about this point evidence reached Washington concerning a CWA applicant in New York City who had obtained a pad of work tickets and farmed them out, taking ten

cents an hour for himself on each ticket. As of early April, formal charges of political manipulation had been lodged in Washington against local administrative units in Salt Lake City, Buffalo, Boston, Detroit, Portland (Oregon), Dallas, Pittsburgh, and Wilkes-Barre.

Revelation of these ugly streaks in human nature came as a shock to Mr. Hopkins. "I am perfectly frank to say that when this enterprise was started it did not occur to me that people would do this kind of petty chiseling," he told the Senate Appropriations Committee. Most of the complaints lodged with him charged political jobbery, Mr. Hopkins explained. "Of the charges we get, I suppose forty-nine out of fifty are charges of political interference. They come from all groups and all parts of the country.

"Personally, I am not terribly disturbed about the charges of political interference. There has undoubtedly been some; but political interference does not hold up a project. . . . I do not mean to say that there has not been politics in this. I was asked the other day if I would not issue an order that everybody running for office should be refused a place on CWA. I do not believe in that. I do not see why a free American citizen cannot run for office whenever he pleases. They should not abuse their positions of running for office to take advantage of our work, however. I have been unwilling to issue an order saying that a public official cannot sit on one of our CWA boards. . . . These things disturb me. I must admit that I do not like this business of people getting into this money of ours; but in comparison with the whole job it is infinitesimal—infinitesimal."

In the hurly-burly of placing everybody on some sort of pay roll in thirty-five days, there was, of course, little time to

reason why. If there were no picks and shovels available on the spot, men were turned upon dirt roads with rakes. And if there were no roads plotted, no leaves to rake, no snow to shovel, CWA crews were made available for any project, public or private, upon which human effort could be expended. In Montgomery County, Maryland, CWA men cleared a projected real-estate development of surplus trees and brush. When the builder later began construction of four dwellings he required the hired labor to take one-tenth of their pay in the cord-wood cut by CWA.

Scores of purely local public works were assigned as federal projects. In Jacksonville, Florida, seven hundred men built a concrete beach walk 24 feet wide and 1,200 feet long. The Virgin Islands got a $200,000 tourist hotel. In Georgia, CWA provided beauty treatments, hair-dressing services, and manicures to female inmates of the state correctional institution.

In Alabama, Mississippi, and Texas, at mid-March, no less than 10,000 men were employed at catching rats. On Monday, January 13, said one official report, the CWA rat squad in Baltimore caught 627 rodents, against 219 the previous day. Philadelphia employed 900 men in a rat-catching campaign. WPA carried on rat-catching operations under the more alluring style of "rodent control projects." In New Orleans, WPA, over a period of four years, spent $599,854 for rodent control, only $14,223 of which was contributed by the city. The rest came from federal funds. In its final report covering a nation-wide investigation of WPA, submitted on May 15, 1940, a special House Committee said of the New Orleans project: "It was originally disapproved by the Public Health Service, but later such disapproval was withdrawn. According to the statements re-

leased by the state administrator the program cost $2.97 per rat exterminated. The peak employment under this project was coincident with primaries and elections in Louisiana."

In New York City, twelve dramas were produced with CWA funds. In Olympia, Washington, seventeen men were employed as egg inspectors. In New Jersey, a portion of CWA funds went to a rural campaign for the eradication of snakes.

At Buffalo, CWA provided indoor golf instruction in Elmwood Music Hall. Indian mounds and forts were excavated in Utah, California, Florida, Tennessee, Georgia, North Carolina, and New Mexico. Pittsburgh engaged two hundred men on a smoke survey. Two counties in Maryland engaged CWA forces in the dead of winter to eradicate dog ticks. In Nebraska eighty men were employed to send special daily weather reports to Lincoln. None was experienced in meteorology. In Falmouth, Massachusetts, fifty-eight men were engaged early in February in eliminating apple pests and brown-tail moths. Another group, at Sandwich, Massachusetts, was employed at clerical work for the Buzzard's Bay NRA Compliance Board.

Despite the summary cancellation of all domestic air mail contracts in February, 1934, CWA early in March had 60,000 men at work on 688 airport projects.

A beautiful spirit swept the Art Section of the New York City unit, which had been granted $28,000 for theatrical productions. The technical director visioned the project as "the opening wedge for a gigantic program to include grand opera, and the return of the old road show, all to be financed by the federal government. The possibilities, given adequate federal support, are limitless."

In Washington, D. C., CWA joined the perennial campaign to drive the pigeons and starlings from the Capitol. Fifty electric automobile sirens, connected in series, were strung around the majestic dome. At half-hour intervals, CWA pressed a button. Birds not scared out by the first honk were literally blown out by the second. But this venture was abandoned when it was discovered that the blasts were quaking slightly the bookshelves in the Library of Congress, across Capitol Plaza.

By March 15, strikes or labor demonstrations had interrupted projects in eight states—West Virginia, Missouri, New York, Michigan, Ohio, California, Pennsylvania, and Georgia. In addition, mass meetings or civic disturbances among CWA workers had been reported officially from Ft. Wayne, Bismarck, Kansas City, St. Louis, Detroit, Chicago, Cleveland, Providence, and Omaha.

As had been anticipated by many reputable authorities on high-proof stimulants, tapering off the CWA spree proved more of an ordeal than had been hinted by the sweet hallucinations of early November. Once a nation has breathed the rarified air of easy money, the people embrace reluctantly again the ageless tradition, "By the sweat of thy brow . . ."

"The more expenditures there are the more beneficiaries there will be, and not one of them is going to demand the abolition of CWA," admonished Senator Glass on January 27, 1934. "Who ever heard of a convention of children demanding abolition of Santa Claus?"

When the gradual demobilization was decreed April 1, officials of the national organization, as well as Members of Congress, admitted frankly they had a bear by the tail. That bear grew up to be WPA.

In hundreds of communities abandonment of CWA left large jobs half done—swimming pools dug but no concrete poured, bridle paths cut but no surfacing, playgrounds staked but no grading, no equipment. In many cities, also, equipment and material orders had been placed for the entire works program as originally approved. Mountains of material thus accumulated now were stored throughout the country—all of it paid for by public funds, and the new plan in Washington was direct relief, or dole, once more. A year later WPA took up where CWA had quit.

Since 1935 WPA has been investigated separately by special committees of the House and Senate, by legislative inquiries in fourteen states, and has figured in grand jury criminal proceedings in twenty-seven additional states. The particulars in each case, so far as they have become a part of the public record, form but a new chapter in the bitter story of CWA. By these cases, cruel spoilsmanship in relief is spread upon the record as one of the blackest pages in American history—scandalous and inhuman trafficking in human misery—almost $20-billion of it within the space of eight years. "The investigation has divulged many past misdeeds," the House Committee said in its final report. "Some were known to WPA authorities and nothing was done about them. Some were not known to them, and WPA authorities disputed the findings or defended the practices charged. Some, WPA is willing to admit. The category runs all the way from minor abuses to major offenses. The chief sources of abuse of public funds occur in the improvement of private property at public expense, the lack of proper supervision, the employment of persons not in need, the operation of projects of doubtful public utility, padded sponsors' contri-

butions, purchase of excess equipment, and hire of equipment at excessive rates, and operation of projects on which a high percentage of non-relief labor is required."

Touching Communistic activities within WPA, the summary report of Committee Counsel J. O'Connor Roberts said: "It is shown from sworn testimony, documentary evidence, publications, and, where actual verification proved impossible, authentic informal evidence, that organized pressure groups of definitely left-wing beliefs have exerted great influence, and in some cases have exercised virtual control, over many supervisory and some administrative officials, and over individual projects; that in many instances the result has been discrimination, poor administration, lax working conditions, direct propaganda, disruption of the work program, and continuous turmoil, disagreement, and bickering. . . . It is shown by testimony and evidence that Communist literature was distributed on the [Federal Census Index] project; that funds for the Communist Party, Teachers' Union, and Workers' Alliance were solicited; that Communist material was specially typed by a project employee on project time; that non-Communist and conservatively inclined employees generally encountered opposition and discrimination; that a supervisor used as a paperweight a plaster-of-Paris cast of a fist clinched in the Communist salute, designed and produced on the project. . . . A number of project locations, all within the professional and service division, were donated by various left-wing groups and the value of the space credited as a sponsors' contribution. Twelve such donations were made by the Workers' Alliance and one by the Harlem People's Center (associated with the

Workers' Alliance). In one case, the same premises were occupied by a Communist unit."

Public assistance currently is administered through eight major agencies of the federal establishment, the Works Projects Administration, Civilian Conservation Corps, National Youth Administration, Surplus Commodities Corporation, and the Farm Security Administration. In addition, the Labor Department, Social Security Board and Bureau of Indian Affairs offer aids to the blind, to dependent children, to aged dependents not eligible for contributory annuities, and to impoverished Indians. Eliminating duplications for families receiving two or more types of assistance, the Social Security Board reported a monthly average of 20-million persons on the several public assistance rolls for the calendar year 1939. The monthly average for 1933, as reported by the same authority, was 19.6-million persons. These figures afford a fair index of national recovery under the experimental Keynes-Eccles theory of "compensated economy." Colloquially described as the "boot-strap" or "pump-priming" theory, compensated economy teaches that the greater the public debt the more prosperous the nation. Many good folks say there is a catch in it, and the preponderance of evidence from the relief reports appears to be on their side.

Over a period of seven summers, the relief rolls expanded steadily in election years, quite independently of the general business indices. This arresting phenomenon once was described by the New York *Sun* as "the political rhythm in relief." In 1934, a year of national congressional and senatorial elections, the relief rolls expanded from 21,179,000 persons in June to 23,431,000 persons for November, an in-

crease of 2,252,000 persons during the decisive campaign months. Owing principally to this expansion of the relief operations, total federal expenditures increased from $466,-274,000 for July to $758,453,000 for October, the last month before the general elections November 6.

This sharp increase in relief coincident with the national political campaign developed in the face of a relatively stable, and then improving, business situation. The Federal Reserve's seasonally adjusted index of industrial production stood at 76 for July, 75 for November, and 86 for December. The Department of Labor reported an increase of 3.3 per cent in private employment and 5.2 per cent in industrial pay rolls for October over September. Yet Mr. Hopkins' official figures showed an increase of 139,000 persons on the October WPA rolls as compared with the previous month. When the votes were counted in November the Administration had gained fourteen seats in the House, ten in the Senate, and twelve new governors. In Pennsylvania, where the distribution of federal benefactions had been lavish, the Administration party elected a governor for the first time in forty-seven years.

But the next year, 1935, there were no general elections. Then the relief rolls declined from 22,457,000 in June to 19,604,000 in November, a decrease of 2,853,000. In this period, total federal expenditures declined from $727,535,000 for July to $533,520,000 for November.

The presidential campaign of 1936 brought the perfection of political relief, with an increase of 1,256,000 recipients of public assistance between July and November, an interval which saw the Federal Reserve's business index move up from 104 per cent of normal to 114.

The non-election year, 1937, again brought a decline of 132,000 persons in the relief load between July and November; but 1938, again a year of general congressional and senatorial elections, brought an increase of 1,284,000 public assistance beneficiaries between July and November. In this year, for example, total WPA expenditures for February were $110-million, when the Labor Department's index of employment stood at 88. By October, the last month before the voting, the industrial employment index had advanced to 89. But in October total WPA expenditures were $199-million, the highest for any month in the year. This pattern appears to illustrate the formula attributed to Administrator Hopkins in the remark, "We will tax and tax, spend and spend, elect and elect." For the three election years, 1934, 1936 and 1938 the relief load showed an *average* increase of 1,597,000 persons between July and November, while in the alternate non-election years the corresponding months gave an average *decrease* of 1,492,000 persons on public assistance. (See Appendix Table IV, page 282.)

The callous sentiment which guided this disgraceful political manipulation of relief was noted officially in the report of the Senate investigating committee. In an address before a group of WPA workers in Washington, D. C., June 27, 1938, Aubrey Williams, Director of the National Youth Administration, had said, "We've got to stick together. We've got to keep our friends in power." This, the Senate committee felt, was "an unfortunate statement," reflecting "a form of coercion contrary to public policy and the spirit of our government."

Referring particularly to conditions uncovered in Tennessee and Kentucky during the 1938 "purge" primaries, this

committee reported that the relief mobilization and coercion in those states did, in fact, "imperil the right of the people to a free and unpolluted ballot." Commenting upon the committee's statement, Senator David I. Walsh, of Massachusetts, a majority member, added his personal observation, "If conditions reported to the Committee were disclosed, the American people would be shocked!"

Soon after the August vote, Senator Carter Glass's Lynchburg *News* commented editorially: "The Kentucky primary, like that in Tennessee, is a stench in the nostrils of the country." To which the Richmond *Times Dispatch* echoed: "Representative democracy cannot survive unless the sort of thing that has been going on in Kentucky and Tennessee is brought to an end."

How suddenly the reduction process starts after elections is indicated by the Pennsylvania experience in 1938, when the balloting occurred on November 8. The state's WPA pay rolls for the week ended October 28 carried 109,804 names. The next week's total was 162,764 names, for the period ending November 4. The third week, ending November 11, saw the rolls reduced to 51,887.

Immediately following the 1938 elections, the Senate investigating committee began to prepare its formal report, which, under the enabling resolution, it was required to present on January 3, 1939. Warned that this report would unleash a whirlwind of indignation and revolt on Capitol Hill, President Roosevelt hastened to advance Mr. Hopkins to a new post as Secretary of Commerce. In due course this nomination was confirmed by the Senate, upon which event the Washington *Post* commented significantly: "Harry Hopkins could not expect to avoid a raking. It was more severe than

it probably would have been if he had been less intimate with the President, and had he not been advertised as the President's personal choice as his successor in the White House."

Although the waste and corruption of relief has left deep scars upon the moral fiber of the nation, it has left us also with crippling deformities in national defense. Those seven years of prodigal dissipation in boondoggling might have given us instead a fully equipped and ably manned air force of perhaps 50,000 combat planes. Hugh S. Johnson, among others, urged a beginning in that direction in 1933. "Seven years ago," commented the sulphurous general on May 10, 1940, "this writer had written into the Recovery Act ample authority and appropriations to do all these things as a combination measure of re-employment, recovery, and defense. That was the year Hitler started. It was the year that the administration gave most of that $3.3-billion to Harry Hopkins for raking leaves."

"The result of economic dissipation to a nation is always moral decay."

—CALVIN COOLIDGE

CHAPTER SIXTEEN

Treasury Magic

MONEY makes bureaucracy tick. At the 1939 budget level, every government worker on the executive pay roll represented an average federal expenditure of roundly $10,000 for the year. Since the average government pay is but $1,850 a year, every pay-roller is engaged in functions and services which involve an additional expenditure of $8,150.

All this money must come from taxes, borrowing—or, when the need exceeds the borrowing power, from Treasury magic. Treasury magic is the Fourth Dimension of federal finance. It involves all of those forms of single-entry, double-cross bookkeeping which the Securities and Exchange Commission was established to forbid in private enterprise, plus the brandishment of executive orders over gold and silver, and the waving of fairy wands over trust funds, reserves and recoverable assets. Treasury magic teaches that spending is investment, and that debts are assets. Despite our dizzy progress in fiscal nomenclature, many reputable authorities on money and finance still call it by the old name—inflation. "History teaches emphatically," says Professor

E. W. Kemmerer of Princeton, a world authority on money, "that inflation, once well started, is both politically and economically exceedingly difficult long to control."

When bureaucracy's spending spree attained such proportions that the figures became alarming in one budget, trouble was averted by the simple expedient of presenting the bill in two budgets. It was a happy device which fooled most of the people all of the time for about four years.

At the outset the theoretical purpose of the two-budget system was to segregate the recurring routine expenditures from the so-called "emergency and recovery" outlays. A long schedule of special taxes was enacted in 1933 on the promise they would be applied to a special debt retirement fund to amortize the emergency expenditures. By this process, the emergency outlays were to be retired in twenty years, and the special taxes then repealed.

But at this point something snapped. The special tax funds were not put in a sinking fund against the emergency bond issues, but were spent, like all other receipts. The "recovery taxes" now have been collected for seven years, but every dollar of the "emergency expenditures" still is carried as national debt; and that debt still was increasing early in 1940 at the average rate of $11-million a day. In June 1940 all of the 1933 emergency taxes were again extended for a period of four years; and to them, in the same special defense tax bill, were added some $650-million a year in new levies. Here we have the national defense emergency of 1940 piling upon the 1933 emergency of depression, and all in one tax bill!

By the end of the third year, the second budget was bigger than the first, and that was more trouble. This unprece-

dented emergency called for a new system of official accounting which, in Washington, was styled "the semi-annual jumble." Under this scheme ordinary items and emergency items were shuffled back and forth between the first and second budgets, and from calendar year to fiscal year until, after three years, it was impossible for even the Treasury itself to make a true and accurate comparison in any major item of expenditure for any two successive years following 1933.

This program of planned confusion in the published tables enabled bureaus to show striking economies from time to time in their regular, or ordinary, budgets. Only when the citizen added the emergency items from Budget No. 2 might he gain any idea as to total expenditures for a given service. A few examples illustrate this form of fiscal magic. The Department of Agriculture budget for 1934, as revised for Congress, showed a decrease of $206-million under the previous year. But $194-million of this reduction was accounted for by the mere transfer of roads and trails to the Public Works list in Budget No. 2. This left an apparent economy in the Department of $12,462,000. But during the first four months of the fiscal year, no less than $56-million in "emergency" funds were allocated to the Department's No. 1 Budget from general Budget No. 2. This gave the Department $4.50 more to spend for every dollar of "economy" shown in the regular budget. The Bureau of Plant Quarantine, for example, showed a routine budget reduction of $331,000—and then got $2,093,000 in emergency allocations for the year. The Biological Survey showed a budget reduction of $401,000, and later got emergency allocations of $971,000. Soil Erosion boasted economies of $13,686 in regular operations, and then was granted $630,000 for emer-

gency work. The Bureau of the Animal Industry reported economies of $75,270 and then got $1,559,240 in emergency allocations.

Tommy Corcoran explained the whole idea in some detail to Mr. Amos Pinchot, early in 1934. A vacancy having occurred in the RFC directorate, Mr. Corcoran had traveled to New York to sound Mr. Pinchot on his availability for the post. In a letter addressed to President Roosevelt under date of May 17, 1938, Mr. Pinchot recalled his conversation with Mr. Corcoran, as follows:

> "Business conditions were almost as bad then as they are now, and I told Mr. Corcoran it would be difficult, if not impossible, for me to leave New York. Also, I pointed out that it did not seem to me that I was fitted for such a responsibility, either by training or experience. The conversation which ensued is one which I shall not soon forget.
>
> "Mr. Corcoran replied that, so far as training and experience were concerned, I need not worry. All that was required was an obstinate man who would stand up in the meetings of the Reconstruction Finance Board and oppose the policies of the chairman, Mr. Jesse Jones, who, he explained, was disposing of government funds in a stingy fashion. And, in particular, he was refusing to part with public money unless he believed there was a fair chance of getting it back.
>
> "Such a policy, Mr. Corcoran maintained, dictated as it was by business considerations, was precisely what the situation did not demand. He said that the right way to restore buying power and bring recovery was to pour money into circulation in the greatest possible quantities and at the highest possible speed. And to illustrate his point, he remarked that the ideal thing would

> be for fleets of airplanes to fly over the country discharging money as they went so that anyone needing cash could pick it up from the ground."

Where such an attitude toward wealth and money prevails in the highest councils of government, it is not surprising to encounter financial theories bordering upon alchemy, and accounting methods impinging upon the classical conceptions of public fraud.

Official concealment of plans and programs often has lulled the nation to a sense of false security regarding the budget. Deficits never have been permitted to appear as large in prospect as they turned out to be when the cash was counted on June 30, the end of the fiscal year. How roseate visions of solvency were projected into the national news was illustrated by an Associated Press dispatch from Washington under date of December 28, 1933, which began:

> "High Democratic spokesmen described President Roosevelt as determined today to concentrate primary attention of the Seventy-third Congress upon a budget designed to provide an $800,000,000 surplus above ordinary federal operating costs in 1934-1935.
>
> "Although reconciled to the present-year deficit well above the billion mark because of emergency expenditures, the Administration was said to have set down tentative budget estimates reading; Income $3.4-billion, ordinary outgo, $2.6-billion. [Etc.]"

In the days before editors realized that national budget news turned on special—and shifting—official definitions of "ordinary" and "emergency," this news was displayed

prominently on the first page of one important metropolitan daily in the East under the head:

PRESIDENT AIMING
AT NEAR BILLION
SURPLUS FOR 1934

And a secondary headline continued:

"PAY-AS-YOU-GO" BASIS
WITHOUT TAX RISE SEEN

Neither the White House nor the Treasury, of course, writes the headlines. But within reasonable limits the character of the news determines the import of the heads and the relative emphasis of display. Here was page-one news from the highest official source, which either was not true or had been so artfully prepared for announcement as to present an entirely misleading public understanding of the subject at hand. As it turned out, the Treasury position at the end of the fiscal year 1934-1935 did not show a surplus of $800-million, but a deficit of $3,575,300,000.

Nor does the responsibility for such flagrant misrepresentation of policy rest with the Associated Press, which faithfully projected the official utterance from Washington. The indictment lodges rather against a system of budgetary manipulation, which makes any official declaration the ultimate news on the subject. Nobody else possibly can have so much as a sentence of demonstrable news in the matter, for only the White House and Treasury can know next year's definitions of such words as "ordinary," "emergency," and "recoverable grant."

Four years after this remarkable headline surplus, Senator Harry F. Byrd, of Virginia, in an address before the Academy of Political Science, on November 10, 1937, touched upon misleading Treasury reports in this vein:

> "I feel completely safe in saying that the credits and recoverable assets shown in the government reports have been grossly over-estimated. Take, for example, the Reconstruction Finance Corporation. The government purchased \$500-million of stock and about \$4-billion of notes of this corporation. The stock and the notes are carried at face value, leaving the impression that the total assets represent sound values and will ultimately be recovered into the Treasury to reduce the public debt. This conclusion is accepted by the public by reason of the confidence in the soundness and efficiency of the Chairman, Mr. Jones.
>
> "However, the Brookings Institution, employed by the Senate Committee on Reorganization, recently disclosed that \$2.5-billion of the assets of the RFC were diverted for relief expenditures, and to pay the regular expenses of other agencies, and for other expenditures, none of which are recoverable. So today the stock of the RFC is valueless and the notes are not worth more than fifty cents on the dollar in recoverable assets. Yet only recently, the corporation issued a financial statement showing and claiming a surplus of \$150-million as of December 31, last [1936]."

If, in a mood of noble or partisan charity, one elects to dismiss these instances of official misinformation as merely oversights on the part of very busy gentlemen in Washington, he must do so in the knowledge that the amount involved is something more than \$6-billion of public money.

These two examples in *billions* epitomize fairly a general condition affecting New Deal budget news from Washington. After seven years, every informed person now reads the federal estimates in the manner of Mr. Stark Young's sophisticated parrot—"turning his head this way and that, as if one eye had seen what the other had reason to doubt."

As a result of Senator Byrd's exposures, the Administration presented a bill in Congress on December 16, 1937, to cancel $2,675,000,000 of RFC notes held by the Treasury. Final legislative action on this measure was taken in the Senate on February 16, 1938. As Chairman of the Committee on Banking and Currency, Senator Glass was in charge of the bill. Senator Byrnes pressed for its consideration under unanimous consent. A brief parliamentary tangle ensued. Senator Glass addressed the chair.

"Mr. President . . ." he began.

Vice-President Garner interrupted.

"Is there objection?" he asked.

"The chair hears none."

Bang! went the gavel. The bill was passed, ready for the signature of the President. Senator Glass smiled wearily and resumed his seat. The Senate action had consumed less than ten seconds. There had been no debate. Later in the afternoon Senator Vandenberg, of Michigan, rose to say for the *Record* that "few of us understood what had happened until about half an hour afterward."

By using RFC funds for general expenditures for four years, the Administration thus had avoided a true public accounting of federal disbursements, carrying the RFC notes in the Treasury as assets against an equal amount of the national debt. At length the whole item was stricken from

the books by a mere legislative act authorizing the write-off of the RFC liability to the Treasury.

In the hearings before the Banking and Currency Committee, Chairman Jones of the RFC had explained that in addition to \$1.8-billion spent for direct relief, the write-off included RFC advances for capital to the Home Owners' Loan Corporation, the Federal Farm Mortgage Corporation, the Federal Housing Administrator, the Farm Credit Administration, the Regional Agricultural Credit Corporations, and the Disaster Loan Corporation.

"Congress used this method of providing funds for these purposes in lieu of direct appropriations, and on our books they are treated separately from the regular activities of the Corporation," Mr. Jones explained. "RFC notes representing these items are necessarily carried on the books of the Treasury as recoverable assets to the extent of their probable value."

In net effect, therefore, the ten-second action of the Senate on the write-off authority represented an appropriation bill in the amount of \$2,675,000,000! That's how the money goes when one big government holding company begins to spawn little holding companies. These cases illustrate the reason no one in the United States today knows the true state of federal finances.

About a year later, a slightly different type of bookkeeping came to light. The Treasury reports show that between March 15 and April 15, 1939, the national debt increased only \$91,036,000. But over that thirty-day period, Treasury disbursements were some \$300-million in excess of receipts. How account for this \$209-million of magic? The general fund balance was not reduced. Where could the money have

come from? You'd never guess. It came from the sale of United States government corporation bonds to the public and the retirement therewith of capital notes held by the Treasury. The subsidiary corporation bonds are guaranteed by the Treasury, but are not carried as a part of the public debt. Yet the funds derived from sale of the bonds went into the general fund of the Treasury, and were spent as ordinary receipts. Although the figures cited relate to only one month's operation in this range of Wallingford finance, the process has been Treasury routine since 1937.

The annual report of the Secretary of the Treasury for the fiscal year ended June 30, 1939, listed forty-one public corporations in which the federal government held a "proprietary interest" to the extent of $3.7-billion. Government guaranteed bonds issued directly by these corporations in the amount of $5.5-billion are not a part of the national debt as carried in the budget reports, but the capital assets of the corporations are carried as Treasury assets against the national debt.

When Senator Byrd, in January, 1940, requested a Treasury statement showing the actual financial condition of each of these corporations, he was presented with about two bushels of tabulations which proved to be wholly beyond the comprehension of the Senate's fiscal authorities. Senator Byrd then requested a physical appraisal of the assets underlying the treasury notes and public bond issues of the several corporations. Secretary Morgenthau rejected this proposal as not in the public interest. Thus, we arrive at an item of $9.2-billion in listed public assets underlying government bonds and federal guaranteed issues, for which no appraisal of physical assets is available anywhere. Banking specialists in

government bonds estimate that the ultimate realization on these federal corporation assets in aggregate will be something between sixty and seventy per cent of the 1940 book value.

It is challenging to speculate what might be the fate of an American businessman or private corporation at the hands of the SEC after an offering of public securities on this basis. Surveying the whole maze of financial pyramids and federal inter-agency accounts as of March, 1936, a leading New York bond house was prompted to observe in its published trade circular: "There is anxiety lest government bonds be transformed from a recognized investment into a consummate speculation." In the same vein, Roger Babson wrote: "If these bonds had to be registered with the Securities and Exchange Commission in the same way that private bonds must be, I doubt if many could be marketed."

Some master planners contend that the Social Security trust funds, by ultimately taking over the entire national debt, will solve the problem. But that is at best a long speculation, for not many can be sure where Social Security itself is coming out. As Senator Sheridan Downey, of California, once put it: "A study of the Social Security Act is well calculated to give anyone not only indigestion but a severe headache. It's doubtful if more than a handful of men understand its complex actuarial scheme, and even to them its results must remain a field of shadowy surmise."

On the other side of the picture, however, there are *book assets* in the Treasury to more than make up any reasonable shrinkage in physical assets underlying the federal corporation bonds. A "profit" of $2-billion was realized on the gold devaluation of February, 1934. Silver operations up to

March, 1940, had placed in the Treasury some 2.2-billion ounces of metal at an overall average cost of approximately fifty cents an ounce. Under the law this silver may be monetized at $1.29 an ounce, giving a dormant book profit of $1.5-billion. But in actual market value, this silver is worth only about thirty cents an ounce.

By invoking all the discretionary powers over gold, silver, and currency now vested in him, the President could create by executive order new currency to the extent of approximately $62.5-billion, or sufficient to pay off the entire national debt in rag money and still leave roundly $27-billion in "currency," as against a total of $6.5-billion currently in circulation. The mere existence of such fabulous powers has been a major factor contributing to increasing world economic disorganization since 1934.

Treasury magic is justified officially on the broad ground that spending makes prosperity. This is the boot-strap or compensated-economy theory of John Maynard Keynes, as adapted to American conditions by Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System. As presented in President Roosevelt's budget message of January 3, 1936, this theory runs: "Our policy is succeeding. The figures prove it. Secure in the knowledge that steadily increasing deficits will turn in time into steadily increasing surpluses, and that it is the deficit of today which is making possible the surplus of tomorrow, let us pursue the course we have mapped."

That course was accordingly pursued, and the following year, the budget message of January 5, 1937, marked the astonishing progress. Said the President at this point: "The *surplus* for the fiscal year 1938, as presented in this budget,

is $1,135,608,000, after providing for debt retirement. Excluding provisions for debt retirement, the *surplus* will amount to $1,537,123,000." But when the end of the fiscal year 1938 had rolled around, the Treasury statement showed, not a surplus of $1.5-billion, but an *excess of expenditures* for the year in the amount of $1,384,000,000.

This experience was the normal pattern throughout Mr. Roosevelt's first seven fiscal years. The consolidated figures show that the budget messages under-estimated actual expenditures by approximately twenty-five per cent, and over-estimated receipts by roundly ten per cent. For these reasons, the spending of today never has become, in fact, the surplus of tomorrow.

These results appear the more remarkable when viewed in the light of Mr. Roosevelt's unqualified pledges in 1932 to the "maintenance of the national credit by a federal budget annually balanced on the basis of accurate executive estimates within revenues." At what point the Chief Executive personally abandoned this policy in favor of the Keynes-Eccles theories still is to be determined. Internal evidence to date suggests only that the switch may have been more fortuitous than deliberate. Jay Franklin, some time press officer in Professor Tugwell's Rural Resettlement Administration, is authority for an interesting account of Mr. Eccles' discovery by the New Deal Inner Circle:

"A few years back, Stuart Chase, the liberal economist, was due to lecture in Salt Lake City, but was delayed by a snowstorm. While waiting for the snowbound speaker to arrive the audience asked Mr. Eccles to talk. Mr. Chase slipped in while Mr. Eccles was still holding forth and he listened in

fascination to the first banker to see the New Deal light. Mr. Chase told Rex Tugwell about Eccles and Mr. Tugwell told the Treasury and the Treasury called on Mr. Eccles to serve his country in the crisis. Mr. Eccles has been running Federal Reserve Board policy ever since."

Suppose it had not snowed that night! Might President Roosevelt have adhered to his 1932 fiscal program? Was the chance meeting of Chase and Eccles, as forced by an accident of weather, the deep root of all Treasury magic since 1934? History will one day establish in what degree our national finances in these difficult years have been ruled by the movements of the stars and the cycles of the winds and the rains.

With the events still upon us, and with all the debt still guaranteed both as to principal and interest, we know only that the Administration began with a firm purpose to operate on the established forms and usages of money and credit. A month before his inauguration in 1933, Mr. Roosevelt embraced with some enthusiasm a suggestion that he might find it necessary, for a time, as a step toward balancing the budget, to "put the Constitution on the shelf." And to this suggestion the Vice-president elect, Mr. Garner, gave unequivocal assent.

"I want to give the President unlimited power to reduce the cost of government. Practical experience has shown that Congress is not going to do it. Unless we let the President have the power we cannot redeem the Democratic platform pledge for a twenty-five per cent cut in government costs. Governor Roosevelt is willing to take the responsibility, and Congress ought to be willing to give it to him. I am for anything to cut down the expenses of this government. I really am in earnest about this."

With everybody thus in earnest on the issue of economy, the nation was launched within six months upon the most stupendous spending program in the history of mankind. The only official defense of this new venture was that, under the theories of compensated economy, it would somehow bring recovery. But after six years, Mr. Eccles' own Federal Reserve Board published an arresting conclusion upon the whole theory of boot-strap spending.

"The Board of Governors," said the *Federal Reserve Bulletin* for April, 1939, "is in complete sympathy with the desire to prevent booms and depressions, and has always considered its duty to do what it could to help accomplish these results. Experience has shown, however, that (1) prices cannot be controlled by changes in the amount and cost of money; (2) the Board's control of the amount of money is not and cannot be made complete; (3) a steady average level of prices is not nearly so important to the people as a fair relationship between the prices of the commodities which they produce and those which they must buy."

By these findings, the whole national experience since 1933 has been only an incredible ride on the merry-go-round. The one abiding reality before us is the $25-billion increase in the national debt—plus whatever more may be deemed necessary to pay out to the level of sustained economic recovery. We tried the doctor's snake oils for seven years, and then the doctor himself came about stealthily to say it was all a mistake; that we should have been taking his herb powders instead. At this point Senator Byrd took the floor in a mood of purplish indignation to shout: "The time has come when temporary and emergency legislation should yield to sound principles of gradual but substantial reduction in

public spending!" In the House, Representative Charles L. Gifford, of Massachusetts, observed, "A $44-billion debt is not a good rampart for national defense." And the effervescent Pat Harrison offered the earthy Mississippi homespun, "You can no more spend yourself into prosperity than you can drink yourself sober."

"In a great emergency moderation is generally safer than radicalism."

—ABRAHAM LINCOLN

CHAPTER SEVENTEEN

The Lost Years

THE first impact of bureaucracy is upon the spirit of initiative and venturesome enterprise. Any new scheme of regulation or control, in whatever field, inevitably entails a period of hesitancy and testing, for precisely the reasons that, for a time, we usually operate a new automobile at only low speeds. During this adjustment phase in business, all expansion plans are held in abeyance, thus inducing a direct check upon enlarged employment.

Even when time-tested regulatory principles are incorporated in carefully drafted legislation, a period of faltering adjustment is inescapable. When visionary experimental policies are whipped into law in a week or a month, implemented by broad delegated powers yet to be measured in administration, the natural economic hesitancy must be correspondingly marked. A new model automobile produced by a reputable designer is a tolerable risk, and will be accepted by a large market. But a seven-wheel contraption with the steering post in the baggage compartment would be a different sort of risk; and the gamble would be increased

beyond acceptance by even the most venturesome spirits should the new design carry, in addition to free-wheeling, hydraulic brakes, and fluid transmission, a fourth innovation called "super-power" which, at will, might divert the ignition from the cylinder heads to the gasoline tank. Who would invest in such a model? Yet by hasty legislation and sweeping delegated powers, we often devise comparable governmental arrangements for the management of both public and private business. Walter D. Fuller, president of the Curtis Publishing Company, once stated the case against meddlesome bureaucracy in the crisp apothegm: "If we are going to have a strong America and be ready for whatever the future holds in store for us, we need to release incentive from the concentration camp."

Relatively sharp business adjustments may be made in one given field without shocking the whole economic mechanism. But when every range of production, commerce, transport, and finance, is subjected simultaneously to the abnormal stresses of new controls and experimental procedures, the result is a crippling dislocation of the national economy. And when, on top of these confusions, government abruptly juggles the value of the currency, commands summary powers over banking, credit and foreign exchange, and launches breath-taking ventures in subsidized competition with established industries, every recognized guidepost of private enterprise is at once obscured. From this point, business moves in a wilderness. It has no compass, for the old rules, customs, habits, and pro-forma securities are all in question or doubt. Nor may it guide by the sun of constitutional principles at a time when the fundamental concepts of representative government are challenged daily by "must" legislation and head-

long emergency decrees. Our recent national history underscores the observation of Herbert Hoover, in *The Challenge to Liberty:* "No nation can introduce a new social philosophy or a new culture alien to its growth without moral and spiritual chaos."

Every employment-giving enterprise is first a hope, and then a gamble against all the vicissitudes of life. When bureaucratic weights against speculative opportunities become too heavy the very spirit of enterprise is smothered. At this point, as the failure of progress throws increasing burdens of unemployment upon the public revenues, a dangerous spiral of debilitating forces is set in motion. As business falls away, the sources of public revenue evaporate, while the demands upon them are augmented steadily. Festering economic dislocations soon present those explosive social pressures on which political demagoguery thrives. At length the failure of shackled enterprise gives rise to increasing demand for the complete socialization of wealth and income—the step which marks the extinction of free enterprise and republican self-government.

All of these processes may be traced out for the United States by a glance at the recent trend of new capital issues by domestic corporations. For the decade prior to 1930 new investment in domestic corporation stocks and bonds averaged about $400-million a *month.* At the low point of the world depression in 1932 this flow of new capital into enterprise was reduced to $27-million a month. For seven years, 1933-1939 inclusive, the average was $50-million a month; and for the six months ending February, 1940, it was again $27-million, precisely the 1932 level. These figures summarize the all-but-complete disappearance of venture capital.

Studies by the National Industrial Conference Board disclose that for all domestic industries there is an average capital investment of $7,000 for every wage-earner employed; and the Census Bureau reports that the available labor force of the United States increases about 500,000 persons a year. Thus, a minimum new capital investment of $300-million a month, or $3.6-billion a year, *in private enterprise,* is required to maintain employment. Having subsisted for seven years with only one-sixth of our minimum needs in new investment, we have not far to look today for an explanation of our persistent unemployment. (The statistical details on investment are tabulated in Appendix Table VII, page 286.)

This national deficiency of $21-billion in new capital investment since 1933 is now reflected in a lower, and still declining, standard of living for the whole American people; for at no point since 1933 has *per capita* production in manufacture, mining and agriculture attained the cyclical normal. At the end of 1938 our *per capita* production in all industry was only seventy-three per cent of the 1923-1925 normal.

The declining living standard often is obscured by reference to the Federal Reserve's production index, which measures volume without relation to a population increase of more than a million persons every year. Since 1923-1925, the base period of the so-called "normal" computation of the Federal Reserve System, our continental population has increased by 20-million persons. To maintain the living standard, therefore, the 1940 industrial production should average seventeen per cent above the Federal Reserve's normal. But for the year 1938 this index actually registered only eighty-six per cent of 1923-1925, and for 1939, only 105 per cent, the peak of New Deal "recovery."

From this level a general increase of approximately twelve per cent in national production must be realized before the American people again attain the standard of living of 1923-1925, which we still regard officially as normal. On top of such a spurt, another increase of ten per cent, maintained steadily for at least a decade, would be required to catch up on sub-standard conditions developed by the political pummelling of private enterprise since 1933. In short, a production level of 130 on the Federal Reserve index would mark a substantial economic recovery for 1940. The average level recorded for the seven years 1933-1939 was 93, or approximately twenty per cent below the 1923-1925 level as adjusted for population. Stated another way, we have produced in general terms since 1933 roughly four-fifths of the goods needed every year to maintain the living standard for our increasing population.

The experience in bureaucratic housing well illustrates this period of national economic frustration, in manageable detail. One scarcely can count on the fingers of both hands the number of new federal agencies launched since 1933 to build low-cost houses and assist home ownership. Among them were the Home Owners' Loan Corporation, the Federal Housing Administration, the United States Housing Authority, the Federal Savings and Loan Insurance Corporation, the Alley Dwelling Authority, Workmen's Garden Homesteads, the Resettlement Administration, and the Housing Division of the PWA. Through these and several subsidiary agencies, the federal government in eight years extended loans of $5-billion, and direct grants totaling another $5-billion. The net result of this $10-billion pump-priming enterprise, as measured in new dwellings for the people, is found in the

official figures of the Department of Labor. In the six years 1933-1938 new dwellings built in the United States averaged 203,833 each year, as compared with 807,666 a year in 1923-1928, when there were no federal subsidies to housing. This gives a deficiency of 3.6-million new dwelling units for the six New Deal years, as compared with the corresponding years of the previous decade.

At our prevailing rate of population growth, we require roundly 500,000 new dwelling units a year to maintain the national housing standards set in the years of free enterprise. The annual average for the first six years of the New Deal was far less than half this minimum. How long, then, will *it* take bureaucracy to house us?

The principal aim and purpose of the several federal housing programs was to provide low-cost dwellings in slum areas. The first $127-million allocated for this purpose by the PWA Housing Division was scattered among fifty-one projects. When all had been completed the average cost was $5,925 per unit, or $1,652 per room. As a result, only ten of these projects could offer units within the reach of the $1,000 annual income, the group for whom the whole program had been initiated.

The heart of the housing difficulty proved to be that the PWA legislative enactment of 1933 also set up the NRA, which in less than a year had advanced building costs by twenty-five per cent. It was only another of those amazing conflicts which may be said to characterize recent bureaucratic administration—lowering housing costs with almost unmeasured government subsidies, and raising them by one-fourth simultaneously through NRA. And all of this in the same law!

The second objective of public housing was to generate quick employment. It all began in May and June of 1933, and at October, 1935, the National Housing Association reported that, "up to the moment nearly all of this government housing has been on paper." Later, in 1936, it was established that slum clearance cost $5,000 per man-year of employment, as against $800 per man-year on WPA, $1,300 on general public works, and $300 on direct relief.

Far more tragic, however, than the failure of socialistic housing programs was the fact that a nation of 130-million people was required to suffer a declining living standard while Washington bureaucrats learned *de novo* some of the oldest lessons of history. The make-work theory, for example, the guiding star of Roosevelt economic policy, had been explored in classic detail by Sidney and Beatrice Webb. Their *100 Years of Poor Laws in England* was published more than fifty years before the inauguration of the New Deal. The conclusion, based upon the public records of an entire century, runs: "While there has been a long and continuous experience with this device, there is no evidence that a substantial proportion of the unemployed were ever absorbed in the process. . . . These measures, also, in the form in which they have been universally practiced, have given rise to new and unanticipated evils that have done much to discredit this particular solution of the unemployment problem. . . . Every piece of work took longer to perform than had been expected, and involved considerably more expense than it was on any computation worth." But the whole country had to wait while Messrs. Ickes, Hopkins, Corcoran, Cohn, Eccles, and Henderson demonstrated such elemental axioms of political economy anew—by adding $25-billion to the national debt.

Hand in hand with the development of the housing and other pump-priming experiments ran the wondrous NRA. In calm retrospect it looms as a bad dream. The country, for the most part, is happy to forget the days when a South Carolina iceman had to wait three months on Washington for permission to increase his plant capacity from twenty-five to fifty tons a day; and when a Minnesota manufacturer had to get seven official OK's on an order allowing a frail woman half an hour extra luncheon time every day so that she might continue at work. But there remains a fact of abiding historical significance concerning NRA—it robbed the United States of business recovery for more than two years. As Colonel Leonard P. Ayres put it in his 1935 appraisal of the Blue Eagle's flight: "In the two years that American industry has operated under the codes it has made almost the worst record among the nations of the world in so far as recovery is concerned."

Buttressing Colonel Ayres' analysis of NRA with his own scholarly examination of SEC, PWA, the National Labor Relations Act, the centralization of shipping, trucking, radio, aeronautics, and diverse other expressions of managed economy, Dr. Lionel D. Edie summarized the national experience in October, 1939, in this incisive indictment: "I doubt if we have the capacity to produce as large an amount of goods as we did ten years ago. It is the first decade in the industrial history of this country in which the peak of the production index for a full year failed to exceed the peak of the previous decade. The peak of production for any twelve months' period in the decade of the '30's has been below the peak of the decade of the '20's. This is the first time in the industrial history of America that such a thing has occurred."

In February, 1940, the Executive Council of the American Federation of Labor, meeting at Miami, Florida, published a comparable appraisal of recent economic policy. "For seven years," it began, "great experiment has been undertaken by the federal government upon the industrial and social economy of the United States. However high the motives which prompted that experiment, the time has come to analyze the experiment, to survey its operation and assay its results. It has been an experiment on the lives of 125-million Americans. It has profoundly affected the relations of the worker and the employer. It has affected trade and finance, industry and agriculture, government and business.

"Innovation after innovation have followed upon each other so fast and furiously that only a trained few could keep abreast of changes. If, after seven years, the situations of labor, industry and agriculture had materially improved, if happiness and progress, hope and confidence had resulted, we could conclude that the experiment had been worth while.

"Instead we find labor torn into warring camps. We find industry depressed and capital on a strike. We find ten million of America's workers unemployed. We find youth discontented and age discouraged. We find not only widespread material suffering, but in every walk of life we find fear for the great intangibles of America; fear for the liberties that Americans have cherished for more than a century and a half."

Nor were these the hasty conclusions of organized labor. As early as October, 1933, the AFL Washington research staff had warned publicly that the rush toward bureaucratic centralization was reducing the real wages of industrial

employees. "NRA wages have not brought higher living standards to the average worker. A six-per-cent increase in wages has been eaten up in an 8.5-per-cent increase in living costs, and he finds his real monthly income in September actually below March by 2.3 per cent." Thus, there is a thread of continuity between the six-month appraisal and the seven-year conclusion. Equally remarkable is the similarity in the final appraisal uttered by Dr. Edie, some time president of the Investment Bankers' Association, and the AFL leaders. It would be difficult to find any other issue of public policy during the last half-century upon which spokesmen of both capital and labor in America have expressed such unanimity of judgment.

Apart from the influence of experimental intervention in every major field of economic activity, New Deal theories further retard recovery by alarming expressions of an often bitter social philosophy. The new bureaucracy began with the concept that America had reached the end of the road of progress, and it moved on to an attitude of official intolerance which culminated in outright name-calling. Where all our national history had presented a country free of class conflicts, there suddenly were discovered among us such types as "money changers," "princes of privilege," "economic royalists," "corporals of disaster," and "modern Macaulays." In a campaign address in Madison Square Garden, New York, on October 31, 1936, President Roosevelt sounded this arresting keynote: "I should like to have it said of my first administration that in it the forces of selfishness and of lust for power met their match. I should like to have it said of my second administration that in it these forces met their master." These sentiments of a President of the United States fell with

startling psychological impact upon a nation which never had known a master.

Before another four years had passed, Secretary Wallace, in a public address at St. Paul, was talking of the internal "enemies" of the farmers. "But our enemies don't want to see the farm program strengthened," he said in support of a proposal to bring federal farm credits under the political wing of the Department of Agriculture.

Perhaps the ultimate note of social discouragement from a federal authority was found in an interim report of the National Resources Committee, dated July 9, 1936, which said of American land resources: "Most of the territory occupied by the United States is not naturally suited for a permanent civilization." This, coupled with the conclusion of Aubrey Williams, Assistant WPA Administrator, that "millions now unemployed will never have a job again," made the complete case for turning the country back to the Indians.

Mr. Williams elaborated upon the end-of-the-road thesis during an address at Buffalo, before the National Council of Social Agencies, also in 1936: "Thousands of young men and women leaving our schools each year are destined never to become self-supporting and independent in the sense that your and my generation was led to believe was our due. The supply of workers exceeds the demand. Man power is a drug on the market. The productive forces of this country are glutted with brain and brawn which they cannot use. And what can't be utilized is simply laid aside to moulder and decay." Such sentiments thrown off at intervals by the highest officers of government made a relentless black-jacking of recovery.

Raymond Moley, who long was in a position to watch

the increasing hold of philosophical defeatism upon the whole structure of our government, at length rebelled. "It is time to return to private life those who believe that this country is economically senile, matured, and washed up," Moley recommended in April, 1940. His address concluded on the warning that should the expansion of bureaucracy continue under defeatist philosophies, "we may envision a future government that will be a cross between a soup kitchen and a pawn shop."

International comparisons over the period 1933-1938 offer a fair measure of America's lost years. Both England and the United States turned from depression to recovery with the rest of the world, in the summer of 1932. England's recovery movement was sustained through five years, while our own was faltering and uncertain, often rising or falling with the violent temper of government or the promise of a "breathing spell." By 1937 England had attained a per capita income seventeen per cent above 1929, while for the same year the per capita income of the United States was twenty-three per cent below 1929. (See Appendix Table X, page 293.)

"Similarly," added a National Industrial Conference Board's survey, "industrial output and building activity advanced above 1929 levels in the United Kingdom. During the recovery a smaller proportion of the labor force has been unemployed in the United Kingdom than in the United States. The recession of 1937-1938 has been much less severe in the United Kingdom. Whereas the federal government's debt per capita in the United States increased more than one hundred per cent since 1929, the British have operated on a balanced budget."

In a table published by the Economic Section of the League

of Nations, the United States was placed eighteenth in a list of nations ranked according to the degree of recovery achieved, in relation to 1929 levels, up to January 1, 1939. The first ten nations on the list were equal to or above 1929 production levels. The United States, in eighteenth place, was 32.8 per cent below 1929. (See Appendix Table X, page 293.)

Foreseeing such consequences in 1933, many informed American voices cried in the wilderness against the rash advances of our new bureaucracy, but the emergency psychosis muted every admonition of caution. Illustrative of the quick appraisal of the route selected by the Roosevelt Brain Trust was the following from Virgil Jordan, President of the National Industrial Conference Board, on December 6, 1933: "I interpret the present situation and all its implications as the most serious catastrophe that has occurred in our history, and perhaps the most profound that has ever overtaken a great people."

Fortunately many among us still do not believe that the United States of America finally has turned its spirit from the most glorious national vision and aspiration which ever has inspired humanity, the ideal of ordered freedom and security in self-government. For three centuries our achievements and hopes have been the beacon light of the world. Under the inspirations of free enterprise we have developed a standard of living undreamed in the world as recently as fifty years ago. From every point of the compass the eyes of hope and noble ambition have turned instinctively toward America. The broad panorama of our history and national destiny came to be called the world around, the American Dream.

Surely the system by which all this has been accomplished

cannot have been wholly wrong. Nor will such a bountiful system be easily discredited. Revolutionary doctrines in government circles today do not reflect a fundamental change in American character. The dream which has been our great inspiration has not been uprooted from the hearts and minds of millions in a single generation. Such dreams do not die, for they spring from the deepest yearnings of the human soul. However stated, they have been the primary impulses to order, peace, and progress thoughout all the history of mankind. Our great need today is but to resume the fixed course from which we were lured by the false lights of Utopian demagoguery.

"But these new methods put us to new tests, and the serious question of the future is whether we have enough of the old spirit which gave us our institutions to save them from being overwhelmed."

—CHARLES EVANS HUGHES

CHAPTER EIGHTEEN

Out of the Wilderness

AMERICA wants to be American again—robust, venturesome, confident—but bureaucracy stands astride the nation like the old man of the sea. In our consequent bewilderment and confusion we are prone to forget that government is not an end in itself, but only a means to a richer, more secure life for *individuals*. Representative government is merely that system of ordered social arrangements which releases the energies and genius of the people for living, building, working, growing; for invention and discovery; for the development of mind and enrichment of spirit.

These are ends which never can be served by a domineering and power-hungry bureaucracy. It was not federal aid which produced Eli Whitney's cotton gin, Fulton's steamboat, McCormick's reaper, Edison's incandescent bulb, Bell's telephone, or Ford's horseless carriage. These things all came out of cellars or woodsheds—and from the devotion, work, and sacrifice of free men. The Wright brothers had no fed-

eral subsidy under their historic flight at Kitty Hawk, North Carolina, in 1903.

At what point in our national development, then, may it be said that our people lost their innate urge for progress and improvement? Or is it a false doctrine which teaches that government must stimulate, regulate, control, direct, and supervise every sphere of human endeavor? Senator Glass, of Virginia, asked the question on April 8, 1934, and then proceeded to answer it, to his own satisfaction at least: "The New Deal, taken all in all, is not only a mistake; it is a disgrace to the nation, and the time is not far distant when we shall be ashamed of having wandered so far from the dictates of common sense and common honesty."

But bureaucracy did not begin in 1933. The process has been a barnacle growth upon the American constitutional system for fifty years. All the New Deal did was nurture the barnacle with lush beddings of political spoils and lavish waterings from the Treasury trough; and then infuse the germ of medieval statism. Within the space of eight years the Roosevelt Administration doubled federal personnel, more than doubled the federal pay roll, and multiplied by six the flow of federal subsidies, grants and subventions. It welded into a militant political unit some 25-million individual recipients of direct federal assistance; and then fell to the shameful task of entrenching itself beside the taxing power by a cruel political mobilization of its unfortunate beneficiaries. As Balzac said of the moribund French bureaucracy of the mid-Nineteenth Century, it "perpetuates the abuses which in turn perpetuate itself."

Any virile nation can stand a little bureaucratic incompetence, extravagance, and maiden-aunt supervision, just as a

giant cement mixer easily can digest an occasional beer bottle. The criticism earned by the New Deal is that the federal fellow-travelers, dismayed at seeing the beer bottles disappear, soon began to toss metal barrels into the national mixing gears of business. And when the mighty machine still chugged on, the experimenters became angry and began to pitch the beer bottles at the engineer.

In defense of New Dealism it often is said that its objectives were laudable, but it remains a question for history whether the burden of debt to be paid off over the next three or four generations is a fair charge on the scales of social justice for good intentions frustrated by the egregious muddling and blundering of a runaway bureaucracy.

Nor may it be said in truth, as so often has been said in eloquence, that noble objectives in government began with the presidential inauguration of March 4, 1933. But in all prior administrations programs of pure theoretical nobility cost the taxpayers a lot less. And since it now appears inherent in the mundane order of things that the noblest aspirations of government are seldom realized in any event, perhaps it would be better all around if the people expressly limited their government for a time to the less extravagant ventures in federal futility—at least until we attain again what we once proudly called the American standard of living. Well may we recall the incisive shirt-sleeve philosophy uttered by Bruce Barton on the occasion of Abraham Lincoln's 131st birthday anniversary, at Buffalo, New York, in 1940; "We are met here tonight to honor the memory of an American who was ill-housed, ill-clad, and ill-nourished—and didn't know it."

Expatiating upon the same philosophical approach, the

editors of the London *Sphere* offered an impressive statistical critique of New Deal theories in 1936, in these words:

> "The United States contains 6 per cent of the world's area and 7 per cent of its population. It normally consumes 48 per cent of the world's coffee, 53 per cent of its tin, 56 per cent of its rubber, 21 per cent of its sugar, 72 per cent of its silk, 36 per cent of its coal, 42 per cent of its pig iron, 47 per cent of its copper, and 60 per cent of its crude petroleum.
>
> "The United States operates 60 per cent of the world's telephone and telegraph facilities, owns 80 per cent of the motor cars in use, operates 33 per cent of the railroads. It produces 70 per cent of the oil, 60 per cent of the wheat and cotton, 50 per cent of the copper and pig iron, and 40 per cent of the lead and coal output of the globe.
>
> "The United States possesses almost $11-billion in gold [now more than $19-billion], or nearly half of the world's monetary metal [now more than two-thirds]. It has two-thirds of civilization's banking resources. The purchasing power of the population is greater than that of the 500-million people in Europe, and much larger than that of the more than a billion Asiatics.
>
> "Responsible leadership which cannot translate such a bulging economy into assured prosperity is destitute of capacity. But pompous statesmen, looking over the estate, solemnly declare that the methods by which it was created are all wrong, ought to be abandoned, must be discarded; that the time has come to substitute political management for individual initiative and supervision.
>
> "There is only one way to characterize that proposal—it is just damn foolishness."

In the hectic merry-go-round of relief, recovery, and reform America did not pause to ask whence came the new

conception of government, nor how totalitarian patterns were woven into the body of law. The outcry against rubber-stamp legislation which became articulate in 1936 was a recognition that something had gone awry on Capitol Hill. But at no point did the nation realize fully the extent to which the House and Senate had become mere ratification bodies for laws written to the last comma in the executive departments. The bald truth came to light soon after President Roosevelt sent up his proposal to pack the Supreme Court, on February 5, 1937. Again we are indebted for the revelation of Jay Franklin, Professor Tugwell's trusted friend and journalistic mouthpiece of the Georgetown Cabinet, or Inner Circle of White House advisers. Under date of March 23, 1937, Franklin urged that since six new Supreme Court justices obviously were to be appointed soon, the men who actually wrote the laws to be interpreted should be nominated by the President.

"By this test," Franklin continued, "it is the Frankfurter Boys rather than the 'rubber-stamp' members of Congress who rate the new jobs.

"Everybody knows that, since March 4, 1933, the federal laws have been drafted at the west end of Pennsylvania Avenue, and that on many occasions Congress has had to mark time until the administration draft of a measure arrived for passage. So the men who do the drafting of the laws are no longer at the Capitol, but are scattered through the executive departments, and if there is need for later judicial interpretation the judgeships should be given to the men who prepared and eased through the measures involved.

"So true is this that, in the case of at least two prominent New Dealer lawyers, the cautious statute which bars repre-

sentatives and senators from filling jobs which they themselves have created would seem to bar these two men from judicial appointment. For Tom Corcoran of the Reconstruction Finance Corporation and Ben Cohen of the Department of the Interior have done more to promote the passage of judicial reform legislation than most of the legislators who will vote for it. And if the measure goes through, ethical considerations would seem to debar them from consideration for any of the new posts which the proposed legislation will create.

"Other government lawyers are not so deeply involved and, when the President comes to pick his judges, he will find it difficult to avoid offering positions to some of the following members of the administration's legal staff who have borne the heat and burden of the battle:

"Paul Freund, Charles Wyzanski and Alger Hiss of the Department of Justice, Edward F. Foley, Charles Kades, Henry Horman, Carl Farbach and Norman Tietjens of the PWA, Frederick B. Wiener and Nathan Margold of the Interior Department, Charles Fahey, general counsel of the National Labor Relations Board.

"Allen Throop, Milton Katz, Stuart Guthrie and Gerald Swope of the Securities and Exchange Commission, Clarence Opfer of the Treasury, Thomas Emerson of the Social Security Board, Vincent D. Nicholson, general counsel of the Rural Electrification Administration, Blackwell Smith of the old NRA; the old AAA group of lawyers, including Jerome Frank, Lee Pressman (now with John L. Lewis' CIO), Francis Shay (now dean of Buffalo Law), Telford Taylor and Donald Hiss (brother of Alger Hiss).

"David E. Lilienthal of the Tennessee Valley Authority,

Russell L. Snodgrass, Max O'Dell Truitt, Frank Watson and Cassius Clay of the Reconstruction Finance Corp.

"These are some of the younger men who carried the legal ball for Roosevelt in the first half of the New Deal. They are entitled to their 'letter' in the shape of some of the judicial plums under the new set-up for the federal courts. The only question is whether they will care to accept an appointment which is a life sentence to any modern lawyer of energy and ambitions while there are fortunes and careers to be made in the world outside the judicial cloisters."

The laws written by this little band of secret operatives at length began to crumple under the impact of the work-a-day world. Citizens went to court for protection of their rights against administrative absolutism. But when the Pottsville Broadcasting Company finally got before the Supreme Court, Justice Frankfurter, on January 29, 1940, wrote the majority opinion dissolving a mandamus against the Federal Communications Commission. This action left the broadcasting company without redress against the harsh rule of the Commission, on the ground, as set forth by Justice Frankfurter: "Congress, which creates and sustains these agencies, must be trusted to correct whatever defects experience may reveal. Interference by the courts is not conducive to the development of habits of responsibility in administrative agencies."

This decision marked a new frontier in constitutional law—the concept that the courts may not intervene against oppressive administrative rules when such rules may be regarded as truly within the scope of delegated powers. At this point the whole structure of limited powers vanishes, and government authority becomes, with the approval of the Supreme Court, whatever a majority of the legislature may declare it

to be. We thus are confronted, not merely with an unmanageable multiplicity of new laws, but with the beginnings of a new legal order, wherein vast powers of government are first written into law by a small group of palace guards, and later interpreted and ratified by the courts through the decisions of the master architect of the legislation.

Only the people, through Congress, now can pull bureaucracy's claws. They may begin to do so any day, without new appropriations or investigations, simply by adopting a policy against further delegation of legislative powers. The country now has before it a record covering fifty years under quasi-judicial administrative commissions. Surely that is sufficient experience on which to base a national policy. The unanimous judgment on this half-century of experience is that boards and commissions tend constantly to extend their influence, to usurp new powers not contemplated in the delegation statute, to make steadily increasing demands upon the Treasury, to strangle gradually the normal processes of free competitive enterprise, and to call into being new political pressure groups for their own perpetuity. The first requirement of solid and sustained business recovery is to stop this bureaucratic growth. It may be stopped overnight if Congress will but adopt a single policy—"no more delegated powers!" All human history is our guide, that the inevitable result of over-centralization is the political abuse of governmental power and authority.

Under such a policy Congress would be required to deal carefully and explicitly with each new national problem as it arose. It may be said against such a reform that Congress has neither the time nor resources to explore a succession of new problems exhaustively. On the other hand, it appears

likely that Congress might approach a persistent stream of small problems with less economic dislocation than frequently attends the breakdown of one of the gigantic administrative agencies, as now witnessed in the NLRB muddle or the third collapse of the Guffey Coal Act.

Under the prevailing system of delegated powers an entire industry may be prostrated by an administrative breakdown; whereas only a marginal problem awaits the attention of Congress in each case when the process of specific legislation is applied. Something is to be said for the position that several small irritations, dislocations, or conflicts of interest are more tolerable from the standpoint of public welfare than the complete demoralization of some major segment of the national life.

Second, the processes of specific legislation would tend to bring about more careful inquiry by Congress into the problems presented for consideration. This inquiry often would develop that many of the solutions sought might be found more readily in other avenues than federal legislation. Certainly the record of American bureaucracy over the last decade demonstrates with some force that many of our social and economic problems cannot be solved by legislation alone. This record also demonstrates that often the normal forces of adjustment and progress are at once dammed up by the mere attempt to solve a problem through the compulsions of law.

Defenders of the bureaucratic system respond that these suggestions present only an oblique approach to *laissez faire.* That criticism falls, however, before the unchallenged fact that Congress clearly has the constitutional responsibility to check abuses of economic power. From every consideration

of practical administration, the issue before the nation is not one of fine legal theory, but a search for a formula which will harness the energies of private enterprise for the immense work of American progress. The verdict of history is that we are more likely to find this formula in dealing carefully and thoroughly in Congress with many small problems as they arise, rather than by trying to deal with one gigantic problem through a new federal commission employing 15,000 spoils pay-rollers. There is a great deal of evidence at hand supporting the view that a government commission creates as it goes along quite as many problems as it solves. Certainly that has been the record in the case of the SEC, AAA, NRA, NLRB, National Bituminous Coal Commission, FCC, and TVA.

A second urgent reform relates to the bureaucratic abuses latent in the informal hearing conducted by administrative agencies as a basis for policy or regulatory rules and decisions. In no case do these hearings follow the rules of evidence as developed in the Common Law and the formal judicial procedures operative in the state and federal courts. As a result, the nature and character of admissible evidence before an administrative body is entirely a matter of discretion for the board, or even for the individual trial examiner. Likewise the evaluation of the evidence in the determination of cases is wholly a matter of discretion. Under this arrangement it always rests with the administrative body to determine how much and what sort of evidence shall be admitted. Often it has developed that material bearing directly upon the issues at hearing had been excluded arbitrarily. By the same token voluminous evidence of remote relevancy, if any, often has been accepted, later to become of controlling influence in

administrative rulings. In the case of the Western Union Telegraph Company before the National Labor Relations Board, for example, employees who volunteered their testimony in support of the company's contentions were denied hearing by the trial examiner. In the case of the Associated Press, the attorneys for the respondent were denied summarily a plea to show that the employee involved was dismissed for causes other than his union activities. Yet when the case reached the Supreme Court the NLRB was sustained, the court observing in its opinion that no showing was made that the employer dismissed the employee for other causes than his union activities. The Washington records are crowded with such instances of star-chamber proceedings in the quasi-judicial agencies.

Under these processes no citizen can know where he may come out with a case before one of the administrative agencies. This consideration alone operates frequently to forbid a challenge to oppressive executive decrees. Few men will entangle their enterprises in legal proceedings in which they are likely to find themselves without even the elemental protections of the rules of evidence.

More important, many recent laws provide that evidence submitted before administrative boards is not subject to review on appeal to the courts. For the most part judicial review is limited to points of law, and does not encompass a review of the material upon which the administrative ruling was based. Under these processes evidence excluded by the ruling of the administrative board may not later be presented in court against the executive rule.

The House investigation of the National Labor Relations Board in 1939-1940 disclosed several cases in which staff

members of the Labor Board collaborated actively with labor unions in the preparations of "evidence" later presented in the Labor Board's hearings. By this process it was possible to develop precisely the type of evidence required to support a predetermined ruling of the trial examiner. But when these cases passed to the courts for review, no inquiry was permitted, under the specific terms of the statute, as to the nature of the evidence upon which the Board came to its findings.

A parallel situation prevails in relation to hearings before the SEC, the Federal Trade Commission, the Federal Communications Commission, the Packers and Stockyards Administration, the Wage and Hours Division of the Department of Labor, and several minor agencies. The net result of this administrative lawmaking is to short-circuit and vitiate the whole judicial process; for the upshot of the system is that there is no appeal anywhere against specious evidence or the arbitrary and capricious evaluation of evidence in the administrative commissions.

Armed with such powers, it is only human for the administrative agencies to build up "trials" which sustain their initial citations. After the Federal Trade Commission, for example, issues an order to cease and desist, it is unlikely that the Commission might view impartially the evidence for and against its original administrative assumption of guilt. Inevitably it will emphasize that evidence which sustains the citation, and reject or ignore controverting material. Yet in no case does all the proffered evidence go to the court for judicial evaluation. The findings of fact by the administrative body are, in most cases, the fixed beginning of judicial review.

Bureaucracy's power to rule or ruin is buttressed further by

the recent general adoption of a legislative clause which places the burden of proof, not upon the administrative agency to demonstrate its citation, but upon the individual or corporation to *disprove* it. An illustration of this device came to light in the Revenue Act of 1939. For more than ten years there had been a provision in the Federal Tax Code forbidding the deliberate accumulation of disproportionate capital reserves for the purpose of evading income taxes. This is a sound and necessary provision of law supporting the income tax structure. From 1926 until 1939 the burden of proof was upon the Bureau of Internal Revenue. When it made a charge of tax evasion through excessive reserves the government was required to present its evidence in the Court of Tax Appeals. A sleeper amendment to the code in 1939 transferred the burden of proof from the government to the individual or corporation. In the original law the government was required to make its charge, then prove it. Under the Brain Trust revision the government makes the charge and the individual then is required to disprove it. The ultimate reach of this power is almost beyond comprehension. It means that almost any individual or corporation, at the whim of the Treasury, may be charged with excessive reserves. With a phalanx of cost accountants, attorneys and statisticians, the taxpayer then is required to refute the charge, or submit to an arbitrary assessment and penalties if unable to prove his innocence. In one case of record the corporation's effort to disprove the charge extended over some seven months and cost more than $25,000. The decision then was not a firm Treasury ruling that the firm's reserve system was satisfactory, but merely a stipulation that the amount of reserves set aside for the year in question did not constitute

evasion of income taxes. Under this stipulation the firm is potentially subject to the same proceeding for every new year's tax return. Certainly with this sword over them the directors of this corporation will not be excessively articulate in their criticism of national policies.

Commenting upon a series of such political adventures in the use of federal powers, Raymond Clapper, a careful and influential Washington commentator, suggested on the seventh anniversary of Mr. Roosevelt's inauguration, in March, 1940; "The New Deal is its own worst enemy now. It has built up enormous power and has difficulty in restraining itself from using that power for political purposes. . . . In modern times government must have large powers to do the things that need to be done, and large personnel is required. That calls for a check to prevent pernicious use of this army of jobholders for self-perpetuation of a regime."

Determined attempts to codify administrative procedure were successfully resisted by the Administration in the Seventy-sixth Congress. The Walter-Logan Bill, a promising measure of reform, passed the House by an overwhelming majority. It was blocked in the Senate by every device of presidential influence. Such legislation would mark a real beginning toward the restoration of constitutional security. It contemplates compulsory public hearings before issuance of administrative proclamations, and would bring appeal within the economic reach of the great body of citizens. It would frustrate the prevailing campaign of attrition, wherein a challenger of administrative law is worn down by delays, rehearings, and other time-serving formalities. Under such vexatious pressures the citizen frequently submits at length to palpable injustice, merely for the privilege of going back to

business free from the daily molestation of angered bureaucrats. In one notable case of record an RFC loan of $20,000 was made contingent upon certain forms of corporate reorganization. Compliance with this order cost the loan applicant $8,500 in services, fees, commissions, and title certifications. His business normally nets about $12,000 a year. When he had concluded sixteen months of RFC negotiations his debt was greater, and his financial position far worse, than when negotiations were opened. But at no point could the proceedings be terminated, even by withdrawal, without precipitating immediate bankruptcy. In another historic case a ruling by the SEC, rejecting a utility reorganization plan approved by the RFC, was itself the immediate impulse to an involved and costly bankruptcy.

A third urgent demand is for an exhaustive survey of dormant executive powers. Proposals already have been put forward in the Senate for a special commission of inquiry, to enumerate the whole range of executive powers, to repeal those no longer serving the emergency which called them to life, and to codify and limit in point of time those remaining. Such action would clarify vastly the present confusion in the law, and remove many restraints upon investment and enterprise. Hidden executive powers multiply many fold the normal risks of investment, weighing the scales so heavily against earnings that venture money has all but disappeared from the American market, despite unprecedented bank reserves. Idle money makes idle men. Experience has shown many times that when the emergency is real, Congress can act with as much decision and firmness as the executive. Every dormant power passed to the executive branch is a daily temptation to either its use or abuse.

Fourth, an effective system of budget and fiscal control must be established in the federal government. Blank-check appropriations have undermined the whole budget theory. When funds are available for allocation by the President, political pressures for their expenditure always will prove irresistible. The time-tested system of specific appropriations by Congress was far more than a routine of convenience. It flowed from the ancient concept that control of the public purse strings belongs in that representative body closest to the electorate. Such control of spending is the first duty and responsibility of the Congress. A decided tendency toward the old moorings of fiscal policy has been evident in Congress since the 1938 elections; but the Administrative Branch has indicated clearly it will part reluctantly, if at all, with its present blank-check spending powers. The necessities of our present situation require not only a sober check upon spending, but some co-ordination between revenue and expenditure programs. Whatever may be achieved in the realm of legal securities, the full measure of economic recovery never can be realized until a semblance of order and responsibility is restored in federal finances.

Effective budgetary administration would operate as a constant check upon bureaucratic expansion, chiefly by bringing hundreds or thousands of proposals into a central clearinghouse where they might at least be appraised on the basis of relative merit or urgency. By this process alone, we might get some discussion each year of the relative need for a billion to WPA as against a billion for national defense. The prevailing system of blank-check allocations by the President would represent in individual conduct a luxurious six-month round-the-world cruise, during which, as it turned out, the

mortgage had been foreclosed on the home. As Senator Millard E. Tydings, of Maryland, aptly remarked, "It is bad policy to run a government on hunches."

A fifth measure of constitutional restoration would at once establish in full vitality the merit system of civil service. The inroads of spoils in recent years have tended to enfeeble the whole organism of public administration. Political security in a job inevitably breeds indifference and inefficiency. Competitive merit administration offers at least some of the incentives to responsibility and faithful performance. The present state of civil service demoralization is far worse than the comparative figures would suggest. The ascendency of spoils is an injustice not only to the career men and women on the Civil Service waiting lists, but a discouragement to every federal employee striving for a merit rating in his daily work. The ambitions of precinct politics never can prove an energizing force equal to the task of effective public administration in the federal establishment.

No citizen acquainted by experience with the mood and temper of government today can question that the nation is deeply stirred by recent exposures of flagrant bureaucratic excesses. Bureaucracy is aggressive, jealous, cruel. It has corrupted administration and perverted justice. It measures progress only by the increase of its own powers. It grows away from the people, and tends constantly to lose touch with the deeper realities of the public welfare. It feeds upon its own illusions, and develops its own techniques of self-preservation through organized propaganda at public expense.

But history is our assurance that every abuse of power, under whatever administrative scheme, ultimately arouses

the forces of its own defeat and downfall. In America, where the spirit of independence is ingrained deeply in the national traditions, this process likely will be more swift and determined than might be anticipated from the experience of other peoples. We are, on the whole, a people of gentle spirit. We often tolerate much scuffing and jostling. But we have a very lively nerve center which jumps like a toothache when encroachments threaten the fundamental securities of freedom. Among us, liberty is more than a word from the dictionary.

We long have been in the mood that we were free to take our bureaucracy or leave it alone. Woe unto that party or cabal which, by its abuse of powers, awakens America at last to the fact that bureaucratic aggressions are, in truth, a threat to the fundamental protections of American freedom and order! The spirit of our people stands well in the harness of free-will teamwork. But the time has not yet come when it may be hitched by executive compulsions to the chariot of totalitarianism. Let the nation be pressed by continued administrative abuses and it will one day spring to indignant political action to uproot the whole system and structure of federal bureaucracy with a single blow. All thoughtful citizens must hope that such an explosive revulsion may be averted, through release of the orderly and temperate processes of prompt, wise, and solid reform. What has laid the nation is not alone numbers in boards, bureaus, and commissions, but their mobilization as the shock troops of revolution by cunning and stealth.

Our first need is to extirpate the moral and philosophical headship of personal government.

APPENDIX

APPENDIX

TABLE I

Federal Receipts and Expenditures for Selected Years (1789-1939)
(Official Figures Published by the U. S. Treasury)

Population Continental area only (Millions)	*Year*	*Total Receipts*	*Total Expenditures*
3.9	1789-91	$ 4,510,652	$ 4,345,424
	1795	6,252,754	7,657,702
5.3	1800	11,051,553	11,000,069
7.2	1810	9,935,899	8,652,479
9.7	1820	18,986,131	19,421,553
12.9	1830	26,694,644	17,075,773
17.0	1840	24,023,637	29,035,815
23.1	1850	49,103,424	44,756,737
31.4	1860	64,582,675	72,411,658
38.6	1870	430,135,014	328,786,373
50.1	1880	366,842,090	301,109,391
63.0	1890	463,963,082	377,448,536
76.0	1900	669,595,431	621,395,005
92.0	1910	899,640,373	915,131,593
105.8	1920	7,126,502,601	6,900,697,632
122.8	1930	4,883,425,800	4,706,138,122
	1931	3,846,102,015	4,748,483,672
	1932	2,593,897,360	5,538,623,081
	1933	2,667,328,106	4,907,775,786
	1934	3,702,287,216	6,949,711,052
	1935	4,431,262,504	8,216,066,410
	1936	4,781,299,971	9,736,506,391
	1937	6,020,041,347	9,277,298,854
	1938	6,970,295,278	8,419,473,854
130.5	1939	6,413,778,701	10,011,747,706

TABLE II

Public Debt of the Federal Government
(Dollars per Capita)

June 30	*Gross Debt Per Capita*	*June 30*	*Gross Debt Per Capita*
1800	$ 15.87	1916	$ 11.96
1810	7.46	1917	28.57
1820	9.58	1918	115.65
1830	3.83	1919	240.09
1840	.21	1920	228.32
1850	2.77	1925	177.82
1860	2.06	1930	131.49
1865	77.07	1931	135.37
1870	63.19	1932	155.93
1880	41.69	1933	179.21
1890	17.92	1934	213.65
1900	16.56	1935	225.07
1910	12.69	1940	327.09*
1915	11.83		

(Source: *Annual Report of the Secretary of the Treasury*, 1939, p. 450.)

* March 28, 1940.

TABLE III

The Increase in the Federal Pay Roll

Year (June 30)	*Total Employees in Executive Branch*
1816	6,327
1821	8,211
1831	19,800
1841	23,700
1851	33,300
1861	49,200
1871	53,900
1881	107,000
1891	166,000
1901	256,000
1911	391,350
1915	476,363
1916	480,327
1918	917,760
1920	691,116
1925	532,798
1930	580,494
1933	572,091
1934	673,095
1935	719,440
1936	824,259
1937	841,664
1938	851,926
1939	938,861
1940 (May 1)	959,146

NOTE:—This summary does not include the legislative, judicial, or military branches of the Federal Government or employees of the District of Columbia. It includes employees in both classified positions (subject to competitive examination under civil service law) and unclassified positions (exempted from competitive examination by law and executive order). It also includes all *civil* employees in the Army and Navy Departments.

(Source: *Annual Report, U. S. Civil Service Commission,* 1939.)

TABLE IV

Number of Persons Receiving Public Assistance, Including Work-relief, in the Continental United States

(As reported by the Federal Security Administration)

Date	*Persons*	*Federal Reserve Production Index (1923-25=100)*
January 1933	18,076,000	72
June "	19,485,000	100
January 1934	28,228,000	80
June "	21,179,000	72
January 1935	24,835,000	93
June "	22,457,000	88
January 1936	20,910,000	97
June "	18,549,000	104
January 1937	19,156,000	115
June "	16,669,000	114
January 1938	17,506,000	81
June "	20,774,000	77
January 1939	21,740,000	101
June "	19,487,000	98
January 1940	18,436,000	119
March "	18,728,000	103

TABLE V

Civil Employment in the Executive Branch of the United States Government, by Departments

(May 1, 1940)

Department or Agency	*Total Employees*
Office of the President	895
Executive Departments:	
State	6,120
Treasury	60,162
War (Civil Rolls only)	118,954
Justice	10,459
Post Office	296,903
Navy (Civil Rolls only)	108,024
Interior	46,923
Agriculture	90,177
Commerce	16,254
Labor	7,138
Independent establishments:	
Alley Dwelling Authority	70
American Battle Monuments Commission	118
Board of Governors, Federal Reserve System	432
Board of Tax Appeals	131
Civil Aeronautics Authority	5,406
Civil Service Commission	1,955
Employees' Compensation Commission	519
Federal Communications Commission	636
Federal Deposit Insurance Corporation	1,665
Federal Loan Agency	19,673
Federal Power Commission	837
Federal Security Agency	22,929
Federal Trade Commission	663
Federal Works Agency	45,758
General Accounting Office	5,171
Golden Gate International Exposition Commission	20
Government Printing Office	5,981
Interstate Commerce Commission	2,704
Maritime Commission	1,711
Maritime Labor Board	34

TABLE V—*Continued*

Department or Agency	*Total Employees*
Mount Rushmore National Memorial Commission	56
National Advisory Committee for Aeronautics	760
National Archives	361
National Capital Park and Planning Commission	26
National Labor Relations Board	909
National Mediation Board	77
New York World's Fair Commission	33
Panama Canal (Civil Rolls only)	20,932
Railroad Retirement Board	2,346
Securities and Exchange Commission	1,666
Smithsonian Institution	578
Special Counsel for the United States	3
Tariff Commission	295
Tennessee Valley Authority	13,009
Veterans Administration	39,673
Total	959,146

(Source: *U. S. Civil Service Commission, Monthly Report,* June 7, 1940.)

TABLE VI

Net Debt of State and Local Governments

(Includes states, counties, cities, towns, villages, boroughs, townships, school districts and all other civil divisions, combined by states)

State	*Per Capita Debt 1937*	*State*	*Per Capita Debt 1937*
Alabama	$ 68.92	Nebraska	$ 71.25
Arizona	135.73	Nevada	117.78
Arkansas	126.67	New Hampshire	74.58
California	240.31	New Jersey	264.50
Colorado	136.55	New Mexico	118.22
Connecticut	96.23	New York	300.11
Delaware	88.80	North Carolina	136.63
Florida	261.97	North Dakota	65.89
Georgia	26.91	Ohio	108.61
Idaho	144.48	Oklahoma	52.42
Illinois	145.35	Oregon	163.84
Indiana	44.37	Pennsylvania	118.85
Iowa	80.13	Rhode Island	178.39
Kansas	57.75	South Carolina	67.02
Kentucky	40.44	South Dakota	106.80
Louisiana	161.70	Tennessee	109.48
Maine	79.34	Texas	111.17
Maryland	154.96	Utah	78.22
Massachusetts	130.36	Vermont	65.18
Michigan	135.42	Virginia	57.76
Minnesota	123.54	Washington	139.43
Mississippi	79.78	West Virginia	71.26
Missouri	92.11	Wisconsin	54.40
Montana	130.36	Wyoming	165.80

National Average $136.12

(Source: *Statistical Abstract of the United States, 1939*, P. 224.)

TABLE VII

New Corporate Capital Issues in U. S. Markets
(Exclusive of all Government Obligations, Refunding Issues and Investment Trusts)

Year	*Amount*	*% of 1929*
1929	$6,417,200,000	100.0
1930	4,711,700,000	73.4
1931	1,759,300,000	27.4
1932	324,200,000	5.1
1933	159,600,000	2.5
1934	159,400,000	2.5
1935	401,600,000	6.3
1936	1,202,000,000	18.7
1937	1,158,200,000	18.0
1938	872,400,000	13.6
1939	371,000,000	5.8
1940	106,000,000*	6.2

* First quarter only

(Source: *Federal Reserve Bulletin.*)

TABLE VIII

Recent Expansion of U. S. Farm Area

Despite billions of dollars from the Federal Treasury for crop curtailment and "balanced abundance" in agriculture, the farm area of the United States actually *expanded* by 67,744,000 acres between 1930 and 1935. Every State in the Union, save Nevada, showed a larger acreage in the 1935 agricultural census. The following table itemizes the steady expansion of the farm area in the face of every spendthrift effort of organized bureaucracy to curtail production of the basic necessities of life:

State	*1930 (thousands of acres)*	*1935 (thousands of acres)*
Alabama	17,555	19,661
Arizona	10,527	14,019
Arkansas	16,053	17,742
California	30,442	30,438
Colorado	28,876	29,978
Connecticut	1,502	2,080
Delaware	901	921
Florida	5,027	6,048
Georgia	22,079	25,297
Idaho	9,347	9,952
Illinois	30,695	31,661
Indiana	19,689	20,519
Iowa	34,019	34,359
Kansas	46,976	48,010
Kentucky	19,928	20,699
Louisiana	9,355	10,444
Maine	4,640	4,722
Maryland	4,374	4,384
Massachusetts	2,006	2,196
Michigan	17,119	18,460
Minnesota	30,913	32,818
Mississippi	17,332	19,655
Missouri	33,743	35,055
Montana	44,659	47,512
Nebraska	44,709	46,616
Nevada	4,081	3,622

TABLE VIII—*Continued*

State	*1930 (thousands of acres)*	*1935 (thousands of acres)*
New Hampshire	1,960	2,116
New Jersey	1,758	1,914
New Mexico	30,822	34,397
New York	17,980	18,686
North Carolina	18,055	19,936
North Dakota	38,658	39,118
Ohio	21,514	22,858
Oklahoma	33,791	35,335
Oregon	16,549	17,358
Pennsylvania	15,309	15,855
Rhode Island	279	308
South Carolina	10,393	12,330
South Dakota	36,470	37,102
Tennessee	18,003	19,086
Texas	124,707	137,597
Utah	5,613	6,239
Vermont	3,896	4,043
Virginia	16,729	17,645
Washington	13,534	14,680
West Virginia	8,802	9,424
Wisconsin	21,874	23,459
Wyoming	23,525	28,162
Total	986,771	1,054,515

(Source: *Statistical Abstract of the United States,* 1939 edition, page 607.)

TABLE IX

124 New Federal Agencies Established Since 1933
(Including Those Created by Law and Executive Order)

(Figures in parentheses indicate number of employees May 1, 1940)

Accident Prevention Conference.
Administrative Committee, Division of Federal Register.
Administrative Committee for Space Assignments.
Advance Planning Unit (PWA).
Advisory Board on Contract Awards (Treasury).
Advisory Committee on Allotments (WPA).
Advisory Commitee on Geographic Names.
Agricultural Adjustment Administration.†
Alley Dwelling Authority.
Board of Labor Review (PWA).
Board of Veterans' Appeals.
Bureau of Motor Carriers (ICC).
Business Advisory Council.
Central Bank for Co-operatives.
Central Statistical Board.
Civil Aeronautics Authority (5,406).
Civilian Conservation Corps.
Committee on Co-operative Enterprises in Europe.
Committee on Industrial Analysis.
Committee on Industrial Problems.
Committee on Reciprocity Information.
Committee on Unemployment.
Consumers Council.*
Commodities Exchange Administration.
Commodity Credit Corporation.
Co-ordinator for Industrial Co-operation.
Council for Industrial Progress.
Disaster Loan Corporation.
Division of Mutual Mortgage Insurance (FHA).

† Functions continued in regular department.
* Transferred to a permanent agency under another legal title.

TABLE IX—*Continued*

Division of Territories and Island Possessions.
Electric Home and Farm Authority.
Executive Committee on Commercial Policy.
Export-Import Bank.
Farm Credit Administration.
Federal Alcohol Administration.
Federal Aviation Commission.*
Federal Board of Surveys and Maps.
Federal Committee on Apprentice Training.
Federal Communications Commission (636).
Federal Co-ordinator of Transportation.†
Federal Credit Unions.
Federal Deposit Insurance Corporation (1,665).
Federal Emergency Administration of Public Works.*
Federal Emergency Relief Administration.*
Federal Fire Council.
Federal Housing Administration.
Federal Loan Agency (19,763).
Federal Petroleum Agency No. 1.†
Federal Prison Industries Board.
Federal Savings and Loan Association.
Federal Savings and Loan Insurance Corporation.
Federal Security Agency (22,929).
Federal Specifications Committee.
Federal Surplus Commodities Corporation.
Federal Works Agency (45,758).
Foreign Trade Zones Board.
Golden Gate International Exposition Commission.
Government Relations and Science Advisory Committee.
Home Owners Loan Corporation.
Indian Arts and Crafts Board.
Interdepartmental Committee on Foreign Trade Agreements.
Interdepartmental Committee on Health and Welfare.
Interstate Oil Compacts Commission.

† Functions continued in regular department.
* Transferred to a permanent agency under another legal title.

TABLE IX—*Continued*

Jefferson National Memorial Commission (Missouri).
Labor Policies Board (WPA).
Marine Casualty Investigation Board.
Maritime Labor Board.
National Air Transport Adjustment Board.
National Archives Council.
National Banking Association (FDIC).
National Bituminous Coal Commission.†
National Defense Advisory Commission.
National Defense Research Committee.
National Emergency Council.*
National Historical Publications Commission.
National Labor Relations Board (909).
National Mediation Board.
National Mortgage Association.
National Munitions Control Board.
National Park Trust Fund Board.
National Power Policy Committee.
National Power Survey.
National Railroad Adjustment Board.
National Recovery Administration.†
National Re-employment Service.†
National Resources Committee.
National Youth Administration.
New York World's Fair Commission.
Northwest Territory Celebration Commission.
Petroleum Administration Board.
Petroleum Conservation Division (Interior).
President's Committee on Administrative Management.
Prison Industries Reorganization Board.
Production Credit Corporation.
Public Contracts Division (Labor).
Public Works Administration.*
Puerto Reconstruction Administration.

† Functions continued in regular department.
* Transferred to a permanent agency under another legal title.

TABLE IX—*Continued*

Railroad Retirement Board (2,346).
RFC Mortgage Company.
Recreational Demonstration Projects.
Regional Banks for Co-operatives.
Resettlement Administration.*
Rural Electrification Administration.
Rural Rehabilitation Division.
Securities and Exchange Commission (1,666).
Social Security Board.*
Soil Conservation Service.†
Special Defense Resources Committee (Interior).
Special Mexican Claims Commission.
Technical Advisory Committee (National Parks).*
Tennessee Valley Associated Co-operatives.
Tennessee Valley Authority (13,009).
Temporary National Economic Committee.
Thomas Jefferson Memorial Commission (District of Columbia).
United States Constitution Sesquicentennial Commission.
United States Employment Service.
United States Great Lakes Exposition Commission.
United States Harvard University Tercentenary Commission.
United States Maritime Commission (1,711).
United States Texas Centennial Commission.
Virginia Boundary Commission.
Virgin Islands Company.
Wage-Hour Division (Labor).
Works Progress Administration.*

† Functions continued in regular department.
* Transferred to a permanent agency under another legal title.

TABLE X

America's Lost Years

The United States at June, 1940, stood in its eleventh successive year of depression. During these years, on monthly average, roughly twenty per cent of the nation's available labor force has been unemployed—a phenomenon without parallel in modern economic history. By 1935-1937 every other major power had attained or surpassed the peak production level of the decade 1920-1930. But in no whole year since the trough of the world depression, in 1932, has the *per capita* national income of the United States reached as high as eighty per cent of the 1929 level. Throughout the last decade we have carried a monthly average of more than 10,500,000 unemployed.

The first table below measures Great Britain's recovery in terms of per-capita income by years, as compared with the United States, both expressed as percentages of 1929. Despite increasingly disturbed political conditions throughout Europe and Asia, England recorded full recovery by 1935 and moved on to steadily increasing per-capita income during the next two years. Fabulous spending in the United States, however, hardly lifted our own per-capita income to three-quarters of the pre-depression peak. The same story of lost recovery in the United States is told in the comparative indices of building construction.

National Income, United States and United Kingdom
Index Numbers 1929 = 100
National Income Per Capita

Year	*United Kingdom*	*United States*
1929	100.0	100.0
1930	97.7	89.9
1931	86.0	74.0
1932	83.7	56.8
1933	87.2	52.7
1934	93.0	59.0
1935	98.8	63.7
1936	107.0	70.4
1937	117.4	76.6

TABLE X—*Continued*

Building Activity
Index Numbers 1929 = 100

Year	*Great Britain*	*United States*
1929	100.0	100.0
1930	102.1	78.7
1931	86.2	53.8
1932	90.6	23.5
1933	114.5	21.9
1934	130.7	26.9
1935	155.6	32.1
1936	160.1	46.5
1937	151.8	50.7
1938 (Average first 9 months)	135.4	47.4

(Source: National Industrial Conference Board, *Studies in Enterprise and Social Progress*, pp. 284-285.)

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Next, the annual reports of the several departments and independent agencies are carefully catalogued and cross-indexed in the Library of Congress. Through these reports a particular activity of government may be traced through the years. On average the annual reports aggregate another 2,000 pages of type each year.

Third, the annual budget messages since 1921 offer an approximate estimate of itemized costs.

The richest special library in the field of federal organization and administration is in the Brookings Institution of Washington, which has been making systematic studies in government for some twenty-five years.

In the Library of Congress, the Legislative Reference Service maintains the most extensive documentary collection in the field of public administration. Over a period of ten years these two special libraries have been available to the author.

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